THAI NGUYEN UNIVERSITY - INTERNATIONAL SCHOOL

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FUNDAMENTALS OF ACCOUNTING

THAI NGUYEN UNIVERSITY PUBLISHING HOUSE

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PREFACE

Fundamentals of accounting is one of compulsory subjects at business schools. It providegbs basic knowledge and skills about accounting field. This textbook is written to systemize issues related to accounting areas such as accounting method system, accounting legal system, accounting books and organizing accounting activities. Accounting practical exercises are also included to help students deeply understand realities and accounting applications for organizational performance.

The book aims to provide accounting system and accounting activities in Vietnam for Vietnamese students of advance programs in English or international students who want to do research about Vietnam.

Brief contents of this book consist of six following chapters:

Chapter 1: Overview of accounting

The purpose of this chapter is to show students that accounting is the system used to provide useful financial information.

Chapter 2: Basic elements in financial statements

This chapter will provide four primary financial statements: An income statement, an owner's equity statement, a balance sheet, and a statement of cash flows.

Chapter 3: Accounting methods

This chapter analyzes an accounting method that refers to rules that a company adheres to when keeping its financial records and reporting financial transactions. The transactions are recorded in a manner that accurately reflects actual income.

Chapter 4: Accounting legal system

This chapter provides International accounting standards, the Vietnamese accounting legal system, and its importance to the business.

Chapter 5: Accounting book and record in accounting book

This chapter provides the content of the accounting book system, the form of the accounting book, and the order of recording the accounting books according to each accounting form. At the same time, learners can distinguish the types of accounting books according to each accounting form.

Chapter 6: Organizing accounting work

Organization of accounting work is talking about the meaning of content and tasks of organizing accounting work. Organize the accounting apparatus and introduce some accounting models in domestic and foreign enterprises.

The chapter 1 and edited were finished by Vu Thuy Ha.

The chapter 2 were written by Tran Anh Vu

The chapter 3 & 5 was finished by Tran Thi Thanh Xuan

The chapter 4 were described by Nguyen Mai Huong.

The chapter 6 were suggested by Dang Thi Mai Huong.

ACKNOWLEDGEMENT

We want to thank International School, which gave valuable and essential advice for this book.

We also want to acknowledge the many reviewers of this textbook for their detailed and helpful comments. The following reviewers, and others who remain anonymous, provided feedback on the contents: Dr. Tran Anh Vu, Dr. Tran Thi Thanh Xuan, MA. Vu Thuy Ha, MA. Nguyen Mai Huong, MA. Dang Thi Mai Huong.

We would also like to thank our colleagues of Thai Nguyen University for their encouragement and support.

And we would like to acknowledge local authorities for funding. Thank you!

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INTRODUCTION

1. What is accounting?

It can be said that accounting is the process of recording financial transactions relating to a business. The accounting process summarizes, analyzes, and reports these transactions to oversight agencies, regulators, and tax collection entities. The financial statements used in accounting are a precise summary of financial transactions over an accounting period, summarizing a company's operations, financial position, and cash flows.

2. Objectives of learning materials

This course will familiarize students with concepts and basic principles of accounting. At the same time, the system will enable students to complete financial statements using an understanding of the accounting equation and on a transactional basis using double-entry bookkeeping.

Besides, the course will support students to develop and practice self-learning attitude, logical skills, critical thinking, and problem-solving skills.

After this course, students are expected to understand the importance of accounting information in business decision-making and apply acquired knowledge to analyze business transactions and solve practical accounting problems.

On completion of this course, the students should be able to:

Knowledge: To prepare in good form journals and various ledger accounts used in commercial operations, adjusting entries for deferrals and accruals in changing the statements and financial reports.

Skills: Resolve conflicts of interest when performing professional accounting and financial work

Attitude: Be ethical, have professional character, obey the law, and avoid any behavior that reduces the professional reputation of individuals

3. Structure of learning material

Each chapter begins as a reading guide; Summary of chapter content, output standards, and introduce story situations to lead students to be more interested, making the book less dry and abstract. It is the new approach. At the end of each chapter, there is a conclusion.

There is a question content at the end of each chapter divided into three parts: Questions; Tests, and Exercises. The amount of knowledge of the questions and exercises is consistent with the amount of knowledge of each chapter.

4. Requirements for learners

A straightforward person: To be honest in all professional and business relationships. Objectivity: Bias or conflict is not allowed. Any unreasonable effect to govern business judgments

Professional capacity and diligence: Maintain the necessary understanding of professional knowledge and skills to ensure that business owners are provided with enough professional quality based on new knowledge, legal and technical standards following technical standards.

Confidentiality: Information must be kept from professional and business relationships. Therefore, it's not allowed to provide information for third parties and use the information for personal purposes. Professional behavior: Must comply with relevant laws and regulations, avoid any actions that degrade one's professional reputation.

So, Requirements for learners are pre-research curriculum, learning materials; Attend all class hours; Participating in midterm and final exams.

5. The importance of accounting to businessz

In order to run a business, a business need data, records, reports, analysis, accurate information about assets, debts, liabilities and profits. Accounting is important to businesses since it make sure that expenses and cash flow transactions are properly documented. It also helps in keeping the business transparent, where shareholders are able to keep track of where money is going.

6. Reading materrial

Textbook(s)

[1] Jerry J. Weygandt, Paul D. Kimmel, Donald E. Kieso. *Accounting Principles, 12th Edition.* John Wiley & Sons, INC.

[2] Needles, B. E., Powers, M., & Crosson, S. V. (2013). *Principles of accounting*. Cengage Learning

Compulsory reading(s)

* Book(s)

* Article(s)

* Other

[1] International Financial Reporting Standards (IFRS):

http://www.ifrs.org/issued-standards/list-of-standards/

[2] U.S. GAAP:

http://www.fasb.org/jsp/FASB/Page/LandingPage&cid=1175805317350

[3] Ministry of Finance - Vietnamese Accounting Systems (VAS) - 26 standards:

http://russellbedford.vn/index.php?option=com_content&view=article&id=63:vietnamese-accounting-standards-qvasq&catid=8:accounting&Itemid=19

[4] Circular No. 200/2014/TT-BTC dated December 22, 2014 by Ministry of Finance (MOF) about enterprise accounting regime.

[5] Law No. 88/2015/QH13 dated November 20, 2015, on accounting.

Optional reading(s)

* Book(s)

* Article(s)

* Other

Websites (if any)

http://www.mof.gov.vnhttp://www.danketoan.com

http://www.webketoan.com

CHAPTER 1:
OVERVIEW OF ACCOUNTING

Tutorials

To do well in this lesson, students need to follow the learning methods:

+ Follow the weekly course schedule, complete the exercises and participate full-time at class.

+ Read some documents:

Textbook Accounting Principles - 12th Edition - Jerry J. Weygandt Ph.D., CPA *University of Wisconsin—Madison Madison, Wisconsin*; Paul D. Kimmel Ph.D., CPA *University of Wisconsin—Milwaukee Milwaukee, Wisconsin*; Donald E. Kieso Ph.D., CPA *Northern Illinois University DeKalb, Illinois*. Page 02-92

+ Work in groups and communicate with instructors directly in the classroom or via email.

Abstract:

This lesson introduces general issues about the nature and role of accounting; opportunity, development prospects of the accounting profession; financial statements and the part of financial statements for information users; principles for the preparation and presentation of financial statements.

Study Objectives:

LLO1: Understand accounting science, the history of accounting, the role and position of accountants in each particular unit, and the economy.

LLO2: Understand why ethics is a fundamental business concept and identify and use accounting.

LLO3: Understand the meaning of accounting information for each other object in business decision-making or economic management.

LLO4: Identify the accounting voucher, accounting curricula in the digital age.

Introductory situation

Why is Campus Pizza's Total Asset Value so great?

Still, having financial difficulties?

Campus Pizza's assets are approximately 30.5 billion USD. However, There was a time when the Company was in a financial situation main struggle. Because, out of 30.5 billion USD, the Company has 25 billion Liabilities and only 5.5 billion equity.

Total Assets of a large enterprise can represent the financial viability of the enterprise

- ⇨ Strong business?
- ⇨ To understand the financial position of a business plan
- ⇨ What subjects do math need to study?

Source: Barry Lytton, Published April 9, 2015. Campus Pizza closes its doors after 56 years

1.1. The history and development of accounting

1.1.1. The history and development of accounting

The birth and development of accounting are associated with the delivery and development of human society. The awareness of the effectiveness of production activities in particular and economic actions, in general, has motivated people to carry out the management process for these activities. The management process inevitably gives rise to the need to be provided with an information system in which at least quantitative information about the objects to be managed and the events affecting them. The management process

inevitably gives rise to the need to be provided with an information system in which at least quantitative information about the objects to be managed and the events affecting them.

Thus, accounting has identified economic management objects and events affecting them.

Measurement: Quantify economic management objects and events affecting them according to appropriate measures (in-kind, labor, and monetary).

- Calculation: Using appropriate computational techniques to quantify further economic management objects and the effects of events based on measured quantitative information.

- Recording: Storing information about economic management objects and events on media such as papers, books, reports, etc.

Accounting is an inevitable consequence of the need for information for economic management, appearing since the existence of human society and existing through all socio-economic forms, developing together with social production and economic development. Continuously improve in content, structure, method, nature, and level.

The result of that development process is forming various accounts with relatively independent research objects and methods, including technical accounting, statistical accounting, and accounting.

1.1.2. Definition of accouting

The American Accounting Association defines accounting as "identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information." In other words, it is the process of communicating financial information about a business entity to stakeholders and managers. Financial information is generally displayed in the form of financial statements that show the economic resources that a business currently has; the company's goal is to determine which information is helpful to the outside world. Accounting is also a field of study and profession dedicated to carrying out those tasks. Accounting is an information system that measures, processes, and communicates financial information about an economic entity.

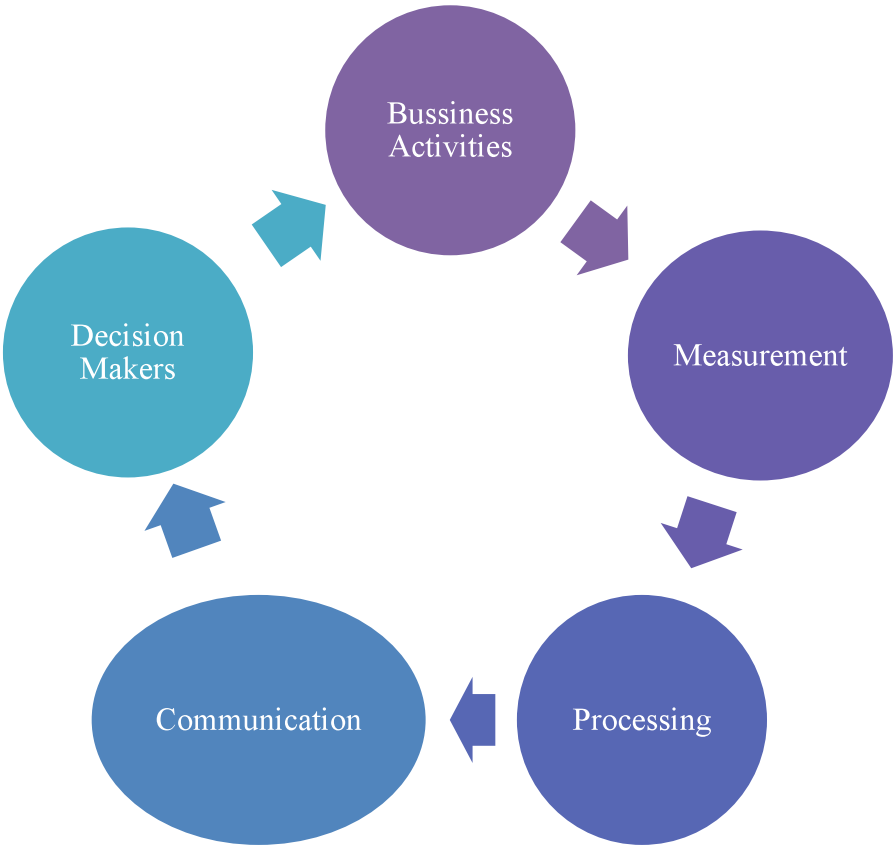


Figure 1.1: Accounting as an Information System

(Source: Author's compilation)

As be shown in Figure 1, Accounting is a link between business activities and decision-makers:

1. Accounting measures business activities by recording data about them for future use.

2. The data are stored until needed and then processed to become useful information.

3. The information is communicated through reports to decision-makers.

In other words, data about business activities are the input to the accounting system and valuable information for decision-makers in the output.

The purpose of accounting is to **identify - record, and communicate** economic events to interested users.

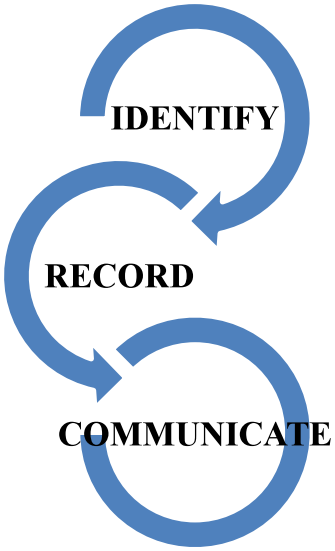


Figure 1.2: Accouting Process

(Source: Author's compilation)

As a starting point to the accounting process, a company identifies the economic events relevant to its business; then, it records those events to provide a history of its financial activities. Recording consists of keeping a systematic, chronological diary of events, measured in dollars and cents. Finally, the company communicates the collected information to interested users using accounting reports. The most common of these reports are called financial statements.

1.1.3. Classification of accouting

Financial accounting and managerial accounting are two of the four most extensive branches of the accounting discipline (e.g., tax accounting and auditing are others). Despite many similarities in approach and usage, there are significant differences between financial and managerial accounting. These differences primarily center around compliance, accounting standards, and target audiences.

Managerial accounting is the practice of identifying, measuring, analyzing, interpreting, and communicating financial information to managers to pursue an organization's objectives.

Financial accounting involves recording, summarizing, and reporting the stream of transactions and economic activity resulting from business operations over some time to the public or regulators.

Managerial accounting differs from financial accounting because the intended purpose of managerial accounting is to assist users internal to the company in making well-informed business decisions.

Table 1.1: Comparision between Managerial Accounting and Financial Accounting

BASIS FOR COMPARISON	FINANCIAL ACCOUNTING	MANAGEMENT ACCOUNTING
Meaning	Financial Accounting is an accounting system that focuses on preparing a financial statement of an organization to provide financial information to the interested parties.	The accounting system that provides relevant information to the managers to make policies, plans and strategies for effectively running the business is known as Management Accounting.
Orientation	Historical	Future
Users	Both internal and external users	Only internal users
Nature of statements prepared	General-purpose financial statements	Special purpose financial statements
Rules	Rules of GAAP are followed	No fixed rules for the preparation of reports
Reports	Only financial aspects	Both financial and non-financial aspects
Time Span	Financial statements are prepared for a fixed period, i.e., one year.	Management Reports are prepared whenever needed.

Objective	To create periodical reports	To assist internal management in planning and decision-making by providing detailed information on various matters.
Publishing and auditing	Required to be published and audited by statutory auditors	It is not meant to be published or audited. It is for internal use only.
Format	Specified	Not Specified

(Source: Author's compilation)

1.2. The users of using accouting information

1.2.1. Internal Users

USERS OF ACCOUNTING INFORMATION

Picture 1.1: Some internal users examples

(Source: Accounting Principles, Wiley, 2012)

Internal users are individuals who run, manage, and operate the daily activities of the inside area of an organization, including Owners and Stockholders., Directors, Managers, Officers, Internal Departments, Employees, Internal auditors.

Some of the ways that internal users use the accounting data:

Assessing how management has discharged its responsibility for protecting and managing the company's resources

Shaping decisions about when to borrow or invest company resources

Shaping decisions about expansion or downsizing

1.2.2. External Users

USERS OF ACCOUNTING INFORMATION

Picture 1.2: Some external users examples

(Source: Accounting Principles, Wiley, 2012)

External users are those individuals who take an interest in the account information of an organization, but they are not part of the organization's administrative process. External users have a direct or indirect interest in accounting information.

Owners and prospective owners. Has the company earned sufficient income on its total investment? Should investment be made in this company? Should the present investment be increased, decreased, or retained at the same level? Can the company install costly pollution control equipment and still be profitable?

Creditors and lenders. Should a loan be granted to the company? Will the company be able to pay its debts as they become due?

Employees and their unions. Does the company have the ability to pay increased wages? Is the company financially able to provide long-term employment for its workforce?

Customers. Does the company offer valuable products at fair prices? Will the company survive long enough to honor its product warranties?

Governmental units. Is the company, such as a local public utility, charging a fair rate for its services?

General public. Is the company providing valuable products and gainful employment for citizens without causing severe environmental problems?

Some of the ways external users use the accounting data:

Stockholders have the right to know how a company is managing its investments.

Federal and State Governments require tax returns and other documents often prepared by accountants.

Banks or lending institutions may use accounting information to guide decisions such as whether to lend or how much to lend a business.

Investors will also use accounting information to guide investment decisions.

1.3. The requirement of accounting infomation

Accounting information plays an important role for parties to use in decision making. To ensure that it is a useful source of information for users, accounting information must meet the requirements of relevancy, reliability and comparability.

1.3.1. Suitability

Relevancy is expressed as the ability of accounting information to make a difference to the users of the accounting statements. Applicability is demonstrated through the following characteristics:

Timeliness: Accounting information must ensure timeliness if it is a valuable source of information in decision making.

The ability to evaluate the past: Accounting information is helpful to users when they consider the history, confirm whether the decisions they have made are appropriate or not, and then make the most up-to-date adjustments. Or change to suit the future environment.

Predictability: Accounting information is helpful to external parties in decision-making by increasing their ability to predict future economic and financial events.

1.3.2. Reliability

Reliability of accounting information understood that accounting information is not bound from the bias of any one user of the information and must be presented and disclosed following the set requirements. An ensure the reliability of accounting information; the following characteristics must be provided:

- Reliability in the presentation and disclosure of information: Accounting information must present the state of trust in the influence of economic and financial transactions on the accounting object.

- Appraisal.

- Neutrality.

1.3.3. Comparability

Comparability of accounting information allows parties to use accounting information to determine the similarities and differences between two or more objects to be compared.

The object to be compared can be between the plan and reality, between actual periods of the same accounting unit, between the accounting unit and other accounting units in the same industry...

1.3.4. Consistency

Selected corporate accounting policies and methods must be applied at least one accounting period per year. In case of policy changes, the chosen accounting method must explain the reasons and effects of the difference in the notes to the financial statements.

1.4. Basic concepts and principles of Accounting

1.4.1. The Basic concepts of Accounting

Accounting Unit: An accounting unit is an entity that engages in financial transactions recorded on a set of accounts.

Accounting Currency: The accounting currency is the monetary unit used by a firm to record its transactions and present its financial statements. The accounting currency is also known as the reporting currency or presentation currency. In most cases, the accounting currency is also the firm's 'functional currency, i.e., the currency in which it primarily generates and expends its cash.

Accounting Period: When the accountant starts to record the accounting books to the time that this work is finished, the bookkeeper and accountant establish the financial statements.

1.4.2. The Basic principles of Accounting

1.4.2.1. The basic principles for calculating the prices of accounting objects (3 directions)

Historical Cost (Or Cost Principles): A historical cost is a measure of value used in accounting. The value of an asset on the balance sheet is recorded at its original price when acquired by the company. The cost principle is the accounting principle whereby the entity accountants are recognized at actual cost when formed and do not need to adjust for changes in the market during the life of the plan.

For example, if Vin Group purchases land for $500,000, the company initially reports it in its accounting records at $500,000. But what does Vin Group do if, by the end of the following year, the fair value of the land has increased to $600,000? Under the cost principle, it continues to report the ground at $500,000.

Fair Value Principle: Fair value accounting uses current market values to recognize certain assets and liabilities. Fair value is the estimated price at which an asset can be sold, or a liability settled in an orderly transaction to a third party under current market conditions.

For example, specific investment securities are reported at fair value because market value information is usually readily available for these assets. In determining which measurement principle to use, companies weigh the factual nature of cost figures versus the relevance of fair value. In general,

most companies choose to use cost. Companies apply the appropriate value principle extensively when assets are actively traded, such as investment securities.

Principle of Lower Price between Historical Cost and Fair Value Principles: This principle allows accountants to choose the lowest price between historical cost and Fair value to reflect accounting objects in the accounting statements.

1.4.2.2. The basic principles for recording and measuring income, expenses, and results.

Cash accounting (or cash-basis accounting) recognizes revenues when cash is received and expenses when they are paid. This method does not recognize accounts receivable or accounts payable. The cash method is also beneficial in terms of tracking how much cash the business has at any given time;

Accrual accounting is a method of accounting where revenues and expenses are recorded when they are earned, regardless of when the money is received or paid. For example, you would record income when a project is complete rather than when you get paid. This method is more commonly used than the cash method.

The matching principle is the accounting principle that requires that the expenses incurred during a period be recorded in the same period in which the related revenues are earned. This principle recognizes that businesses must incur costs to earn revenues.

The materiality principle states that an accounting standard can be ignored if the net impact of doing so has such a small impact on the financial statements that a reader of the financial statements would not be misled.

1.4.2.3. The basic principles for qualitative accounting information.

The objectivity principle states that accounting information and financial reporting should be independent and supported with unbiased evidence. Accounting information must be based on research and facts, not merely a preparer's opinion. The objectivity principle is aimed at making financial statements more relevant and reliable.

Entire Disclosure Principle: The whole disclosure principle states that companies should include all information in the financial statements that would affect a reader's understanding or interpretation.

Prudence concept: a concept that has been put in place to ensure that the person making the financial statements makes sure that the assets and income are not overstated to make sure the company is not overvalued.

1.5. The role of accountants in the economic management system

Accounting was established and developed in association with its inherent functions, including:

-To receive, process, check, and provide the information;

- To analyze and advise for making economic decisions.

According to those functions, accounting plays a vital role in the economic management system. The part of accounting in the economic management system is expressed as follows:

Firstly, Accounting serves the State's Macro management. Accounting information helps the State:

- To inspect and supervise the implementation of laws, economic and financial mechanisms, and policies of the units;

- To synthesize and make statistics the data of industry, field, and the whole economy. These statistics will help the State evaluate, make, and adjust development plans and programs for each period.

Secondly, accounting serves the Micro-management of the manager. Accounting information helps unit operators:

-To control and evaluate the efficiency of economic resources under the right to use and manage responsibilities;

- To evaluate the financial position, operation situation, and cash flow in the past and present to make the decision making.

Thirdly, accounting supports other management tools.

The requirement to become an accountant: High professional competence. Proficient in computer and English; Honest; Objective; Correct.;

Hardworking, careful; Dynamic and creative; Ability to observe, analyze and synthesize.

1.6. Accounting curricula in the digital age

As mentioned in the previous section, an accounting information system consists of components mainly: input, process, and output. The method of producing accounting information can be done in manual or computerized accounting. For the accounting system manually, the construction of an accounting information system is associated with constructing an accounting information system of vouchers, detailed accounting books, general books (including diary books) and ledger), and a method of accounting reports. Besides designing the system of elements constituents, entities must create processes or procedures related to a record, process, and providing information. The construction of an accounting information system associated with the methods of collecting, processing, and providing information are outlined in the following diagram:

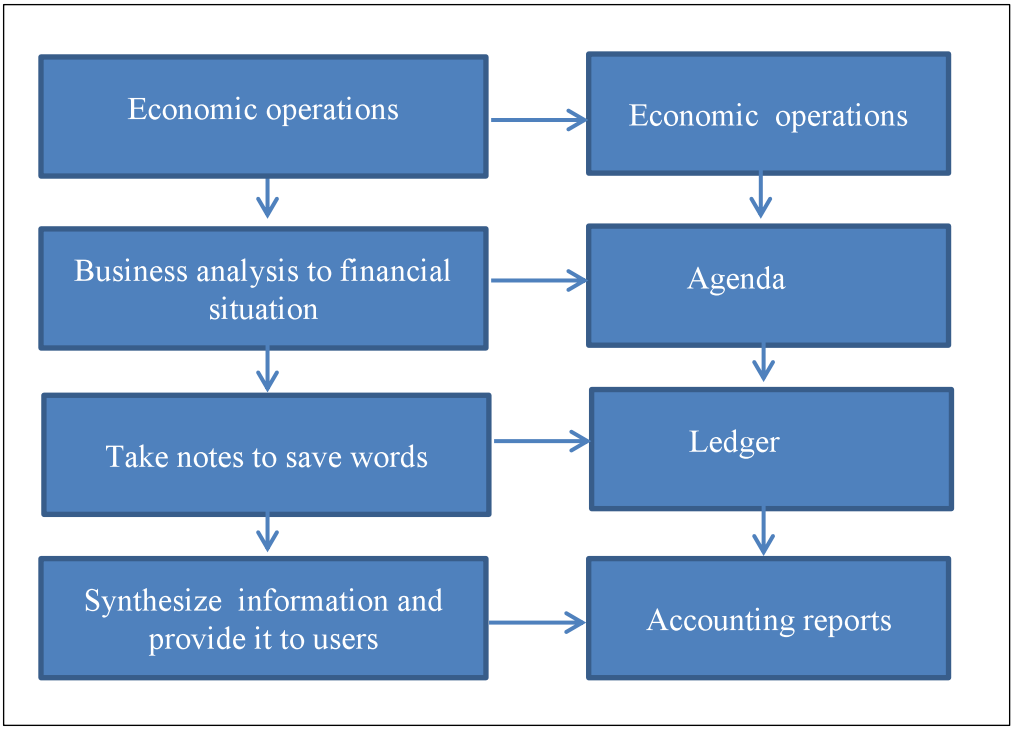


Figure 1.3: Accounting information system in terms of manual accounting
(Source: Author's compilation)

Specifically, the construction of an accounting information system in manual conditions is associated with specific tasks are as follows:

✓ Building a method of accounting documents to record transactions and processes prepare and circulate vouchers

✓ Building a way of accounting accounts, including general and detailed accounts

✓ Building a system of accounting books, including general and detailed books, together with proper bookkeeping procedures

✓ Building accounting reporting system, including financial statements and reports administration.

Today, many businesses have replaced their manual accounting system with one computerized accounting system. The process of collecting, processing, and providing the information is checked out in the following diagram:

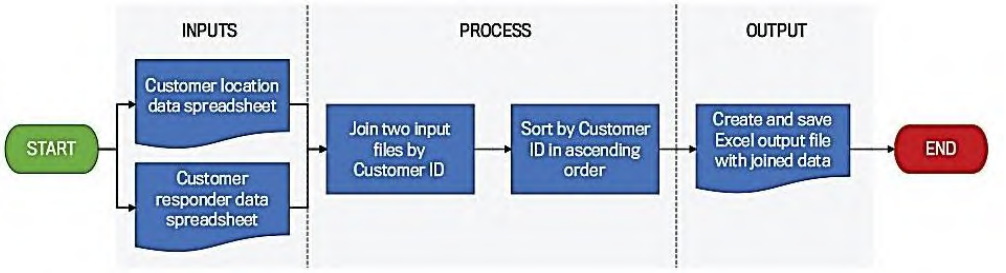


Figure 1.4: Accounting information system in computerized conditions

(Source: Author's compilation)

Computerized accounting information systems are programs that use integrated software accounting functions related to purchases, sales, accounts receivable, pay, collect and spend money, pay salaries. The system also automatically generates and presents the financial statements for informational purposes. A computerized accounting system has many advantages compared to the traditional manual accounting system. First, companies need to enter data once into the computer system, thus saving time and related costs. Second, because computers automatically do most accounting work, human errors like manual accounting can be removed. Computerized accounting systems also

provide very up-to-date information. Socks all of the above advantages bring many benefits to users of accounting information in making business decisions.

The construction of a computerized information system includes the following main tasks:

✓ Building personnel: the person who controls the design and performs other functions related to the system's operation. In terms of information technology developing accounting workers, thus, not only must know accounting but also must be a person equipped with knowledge related to information technology believe. The development of information technology also gives rise to the next career, new accounting such as control, construction... accounting information systems.

✓ Sequences and procedures are used to collect, process, and store information about business activities. Accounting system attached to other processes from recording transactions, assessing assets, containers, registering accounts in the accounting books. Therefore, the construction of an accounting information system must be done by implementing the development of processes related to each specific business group, ensuring scientific requirements and high efficiency.

✓ Building databases, organizing data processing processes.

✓ Build or select software to process the organization's data. This is one of the key elements of information processing and delivery. To choose the right software, an accounting information system builder must understand the activities of the enterprise, including arising economic transactions and related processes or procedures.

✓ Necessary technological equipment (hardware), suitable for the specific characteristics of the enterprise.

✓ Building and perfecting the internal control system and financial safety methods data in the unit.

SUMMARY

Accounting is an independent economic science responsible for collecting, analyzing, measuring, arranging, recording, summarizing, and

reflecting the results of economic activities of the enterprise in the form of information.

+ Introduce the formation and development of accounting in detail— fundamental concepts and principles of accounting science.

+ Accounting activities are related to most socio-economic fields.

+ Many objects need to use accounting information, with objectives and methods (Managers; Owners; Creditors; Government ...)

There are different types of accountants and the scope and application of the accounting profession. The math is pretty extensive.

The performance of accounting work and the preparation of financial statements need to comply with the principles, professional standards.

+ Accounting plays a vital role in the economic management system through accounting information. Therefore, to ensure that it is a valuable source of information for users, accounting information must meet the requirements of relevancy, reliability, and comparability.

+ Understanding of accounting curricula in the digital age

PRACTICE EXERCISES

A. Questions:

1. Analyze the process of formation and development of accounting.

2. How do management objects and management subjects affect accounting?

3. Analysis of the elements of the accounting profession.

4. State the basic understanding of the accounting process.

5. Is the standard for recording an economic event (transaction) a financial, economic transaction?

6. What is the general object of accounting?

7. Analyze the accounting definitions, then conclude the characteristics of accounting and state the purpose of accounting from a personal point of view.

8. Analyze the content and consequences of the basic concepts of accounting science.

9. Objects using accounting information and their general needs for accounting information.

10. Analysis of requirements for accounting information.

B. Multiple choice

1. In the economic management system, accounting as a management tool is governed by two primary factors: financial management object and economic management system...

A. and the subject of economic management.

B. and the subject of accounting management

C. Management subject

2. The users of accounting information are:

A. Managers; Owner; Creditors; Government

B. Managers; Owner; Creditors;

C. Managers; Owner; Creditors; Government; Other objects

3. Accounting unit: An economic entity that has its property, is responsible for the use and control of that property, and must set up ...

A. financial report

B. property report

C. accounting statements

4. Accounting currency: The official currency .... in the recording of accounting books and the preparation of financial statements.

A. used B. Owned C. useful

5. Accounting period: A definite period from when the accounting unit starts to record the accounting books to when the accounting books are finished.... to prepare the financial statements.

A. transfer accounting books

B. closing the accounting books

C. end of bookkeeping

DO IT - EXERCIES

DO IT

The DO IT! exercises ask you to put newly acquired knowledge to work. They outline the Action Plan necessary to complete the exercise, and they show a Solution

Basic Concepts

Indicate whether each of the five statements presented below is true or false.

1. The three steps in the accounting process are identification, recording, and communication.

2. Bookkeeping encompasses all steps in the accounting process

3. Accountants prepare but do not interpret financial reports.

4. The two most common types of external users are investors and company officers.

5. Managerial accounting activities focus on reports for internal users.

Solution

Action Plan

✔ Review the basic concepts discussed.

✔ Develop an understanding of the key terms used.

1. True **2.** False. Bookkeeping involves only the recording step. **3.** False. Accountants analyze and interpret information in reports as part of the communication step. **4.** False. The two most common types of external users are investors and creditors. **5.** True.

CHAPTER 2:
BASIC ELEMENTS IN FINANCIAL STATEMENTS

Tutorials

To do well in this lesson, students need to follow the learning methods:

+ Follow the weekly course schedule, complete the exercises and participate in discussion on the forum.

Read documents: Textbook Accounting Principles (2015)-Twelfth Edition. Page 40-47. Textbook Theory of Accounting (2014), Doan Xuan Tien, House Finance publishing.

+ Work in groups and communicate with instructors directly in the classroom or via email.

Abstract:

This chapter will introduce general issues about the elements of the financial statements that are directly relevant to the determination and assessment of a financial position are Assets, Liabilities, and Equity. When identifying items in the elements of the financial statements, attention must be paid to their form and economic content. In some cases, assets are not owned by the enterprise, but based on the economic content of the assets, they are reflected in the elements of the financial statements.

Equip students with four forms of financial statements: All companies must follow four primary financial statements: An income statement: An owner's equity statement - A balance sheet - A statement of cash flows.

Study Objectives:

By the end of this chapter, students will be able to:

LLO1: **Understand** the essential elements of financial statements.

LLO2: **Describe** the format and meaning of each financial statement.

LLO3: Understand explain the related accounting elements of a business. Analyze the effects of business transactions on the accounting equation

LLO4: Understand the meaning of assets, liabilities, equity, income, expenses, business results.

Introductory situation

The difference in figures at HVG

In 2018 financial statements published by enterprises, there are many cases of data differences before and after the audit.

For example, in the separate report of Hung Vuong Joint Stock Company (HVG), financial expenses increased sharply due to increased provision for associated companies and increased administrative costs due to provision for complex receivables. Unreasonable claim. E&Y Vietnam Auditing Co., Ltd. has reclassified the entries in accounts receivable from customers, prepaid by buyers, payable to sellers, and prepaid to sellers due to incorrect accounting by the enterprise.

HOW ASSESS THE BUSINESS THROUGH FINANCIAL STATEMENTS?

Evaluate businesses through financial statements to help partners and investors understand the assessed organization's exact business situation and cash flow. This helps them make cooperation and investment decisions more accurately and efficiently.

So when evaluating based on financial statements, what should be noted and considered? Find out in this chapter.

Source: Khac Lam - Ha Nguyen, 2020. The difference in audited data from the market, Securities Investment Journal, Special page of investment newspaper.

2.1. Financial Statements

Financial statements are the primary means of communicating important accounting information about a business to those interested in the industry. These statements are models of the business enterprise in that they show the company in financial terms. However, as is true of all models, financial statements are not perfect pictures of the real thing. Instead, they are the accountant's best effort to represent what is real. Four significant financial statements are used to communicate accounting information about a business: the income statement, the statement of owner's equity, the balance sheet, and the statement of cash flows.

2.1.1. Balance Sheet

Definition

The balance sheet is a general financial statement composed of the entire balance sheet of the enterprise in two different ways: individual and unwholesome.

The balance sheet is an essential source of financial information for various accounts and financial statements.

The balance sheet presents the business owners' total assets, total liabilities, and owner's Equity. The balance sheet includes assets on one side and penalties on the other. For the balance sheet to reflect the accurate picture, both heads (liabilities & assets) should tally (Assets = Liabilities + Equity).

An example of the Balance sheet is demonstrated in the book's Appendix.

2.1.2 Income statement

Definition

The income statement is a general financial statement that summarizes the revenue and expenses that generate revenue and the performance of the business for some time. Business performance reports are an essential source of financial information, designed for different stakeholders and insurance purposes.

An income statement presents the revenues and expenses, and the net income or net loss in the specific period., including:

Revenue is the income from the business activities earned by an individual or a business from selling any products or providing services.

Revenue = Price of product or service x number of units sold

Expense: An expense is any money spent or costs incurred as a business, individual, or organization attempts to generate revenue.

An example of the Income statement is demonstrated in the book's Appendix.

2.1.3. Cash Flow Statement

Definition

The statement of cash flows, or the cash flow statement, is a financial statement that summarizes the amount of cash and cash equivalents from the beginning to the end of the period.

The main components of the cash flow statement are cash from operating activities, cash from investing activities, and cash from financing activities.

Operating Activities: The principal revenue-generating activities of an organization and other activities that are not investing or financing; any cash flows from current assets and current liabilities.

Investing Activities: Any cash flows from the acquisition and disposal of long-term assets and other investments not included in cash equivalents

Financing Activities: Any cash flows that result in changes in the size and composition of the contributed equity capital or borrowings of the entity (i.e., bonds, stock, dividends).

An example of a Statement of Cash Flow is demonstrated in the book's Appendix.

2.1.4. Notes to Financial statement

Notes to financial statements are prepared to explain and supplement the operating and financial position information. About the supply - business and the marketing results of an enterprise. During the reporting period that other reports cannot describe clearly and in detail. Thereby, investors understand more and more accurately the actual operation situation of the business.

2.1.5. Relationships between financial statements.

The duality of an asset indicates that, at a given time, the total asset value of an accounting unit is always equal to its total liabilities and equity.

The balance of accounting is expressed through the following general accounting equation:

$$\textbf{Assets} = \textbf{Liabilities} + \textbf{Equity} \quad (1)$$

Balanced accounting leads to the following consequences:

The balance of accounting is the standard for identifying whether an event is a financial or economic transaction. It is considered a financial and economic operation when it has to affect the elements of the accounting equation… accounting forum

The balance of accounting is the basis of double accounting: Each arising economic and financial transaction must be identified, classified, and recorded by the accountant, its influence on the elements of the accounting equation ...

The balance of accounting is the basis for checking accounting data …

The relationship between total assets, liabilities, and equity at the end of the period can be expressed by the following equation:

Total assets at the end of the period	=	**Liabilities at the end of the period**	+	**Equity at the end of the period**	**(2)**

Due to the increase in income as equity, the cost of equity decreases, if in the accounting period there are no economic and financial transactions that increase or decrease the equity belonging to income, price, and equity at the end of the period, it can be determined as follows:

Equity at the end of the period	=	**Equity at the beginning of the period**	+	**Operating results for the period**	**(3)**

Since operating results for the period are determined by the difference between income and expenses, the above formula can be written as the following formula:

Equity at the end of the period	=	**Equity at the beginning of the period**	+	**Income for the period**	-	**Expenses for the period**	**(4)**

Substituting formula (4) into formula (2) above, we have:

Total assets at the end of the period	=	**Liabilities at the end of the period**	+	**Equity at the beginning of the period**	+	**Income for the period**	-	**Expenses for the period**

2.2. The Basic elements in Financial Statements

2.2.1. Asset

2.2.1.1. Definition and conditions to record the assets

According to Wiley, *"Principle of accounting,"* 2008, Assets are the resources a business owns. And the capacity to provide future benefits for the company. Furthermore, An asset is a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit. Assets are reported on a company's balance sheet and are bought or created to increase a firm's value or benefit the firm's operations.

Assets are the economic resources of a company that an expected to benefit the company's future operations. Certain kinds of assets—cash and money that customers owe to the company (called accounts receivable)—are monetary items. Other assets—inventories (goods held for sale), land, buildings, and equipment—are nonmonetary, physical items. Still, other

assets—the rights granted by patents, trademarks, and copyrights—are nonphysical.

The conditions to record the assets:

- Can be converted into cash
- Must be controlled by the organization
- Bring the future benefit or profit to the organization;
- The result from business activities that be recorded

2.2.1.2. Assets classification

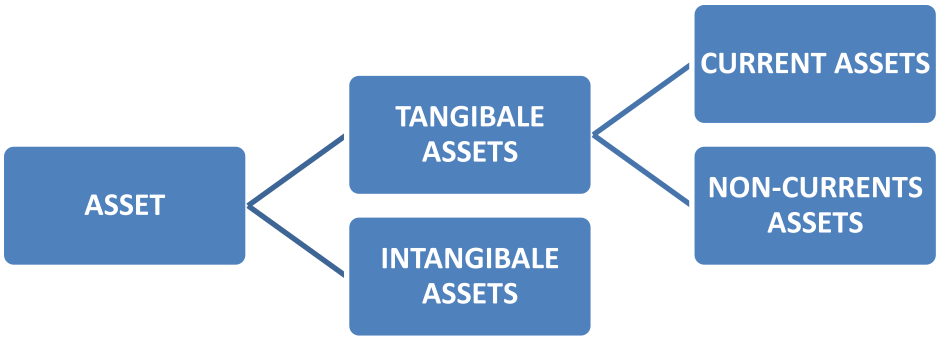


Figure 2.1. Assets classification

(Source: Author's compilation)

A) - Based on Duration Held

Classification based on the duration held are explained below:

1 - Current Assets

These are the assets intended to be held in the business for less than one year. These assets are highly liquid and an expected to be realized within one year. Short-term investments include cash, bank balance, inventory, accounts receivable, marketable securities, etc.

2 - Long-Term Assets or Fixed Assets

These are the assets intended to be held in the business for more than one year. These assets an expected to provide benefits to the company for several

years. Long-term assets include fixed assets (commonly known as property, plant, and equipment), long-term investments, trademarks, goodwill, etc.

B) - Based on Physical Existence

Classification of assets based on the physical existence is explained below:

1 - Tangible Assets

Tangible assets are those that have a physical existence, i.e., capable of being touched, felt, and seen. Examples of such assets include plant, property and equipment, building, cash, inventory, etc.

2 - Intangible Assets

Intangible assets are those kinds that do not exist in physical form. In other words, these assets can not be touched, felt, or seen. Examples of such assets include patent, license, goodwill, tradename, brand, copyright, etc.

C) - Based on Use

Classification of asset is based on use are explained below

1 - Operating Assets

It refers to those assets that are useful in the conduct of the day-to-day operations of a business. These assets help in the generation of revenue and are connected with the core business of the organization. Examples of such assets include inventory, accounts receivable, property, plant and equipment, cash, etc.

2 - Non-Operating Assets

These assets are those that are not required in the conduct of the daily affairs of the business. They do not play any role in revenue generation. Examples of such assets include fixed deposits, marketable securities, idle equipment, idle cash, etc.

3 - Fixed Assets

These are those assets that are not held for sale. Instead, they are held to produce goods or provide services.

4 - Inventory

It refers to those assets held for further sale in the course of business. Thus, a building will amount to inventory for a real estate dealer, while the same will form part of fixed assets for other companies. It depends on the use for which assets are deployed, and the support cannot be generalized; instead, it needs to be classified as per its use and other terms.

5 - Investment Property

These are the properties owned, acquired by finance lease, or constructed by an organization for further sub-lease by way of an operating lease to other parties.

6 - Assets Held for Sale

It refers to those assets intended to be sold (other than in the course of business) in the present state and condition within 12 months. The carrying amount is recovered by way of sale.

7 - Leased Assets

These are the assets given under a finance lease to some other person or taken under an operating lease from another person.

2.2.2. Liabilities

2.2.2.1 Definition of liabilites

Liability is defined as obligations that your business needs to fulfill. In other words, Liability means credit of the company.

Liabilities are a business's present obligations to pay cash, transfer assets, or provide services to other entities in the future. Among these obligations are amounts owed to suppliers for goods or services bought on credit (called accounts payable), borrowed money (e.g., money owed on bank loans), salaries and wages owed to employees, taxes owed to the government, and services to be performed.

As debts, liabilities are claims recognized by law. The law gives creditors the right to force the sale of a company's assets if it fails to pay its debts.

Creditors have rights over owners and must be paid in full before the owners receive anything, even if payment of the debt uses up all the business's assets.

2.2.2.2. Liabilities Classification

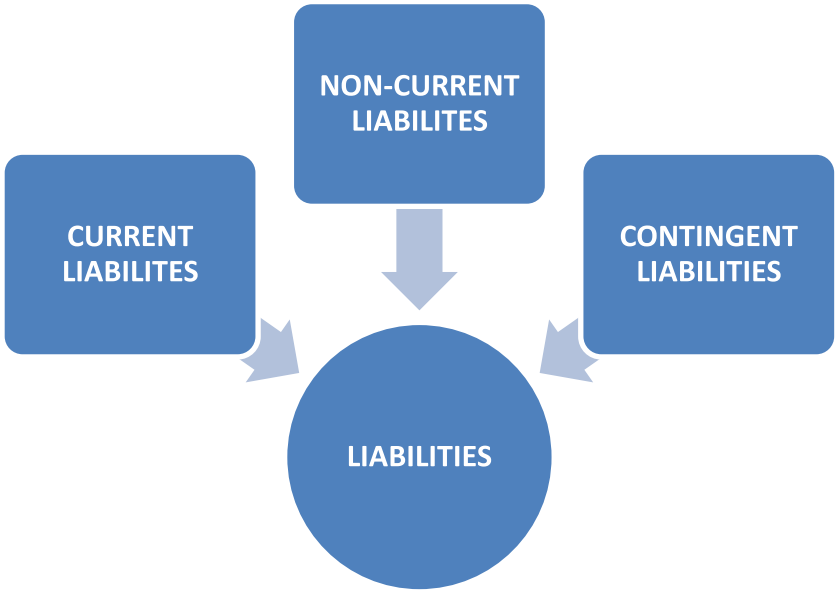


Figure 2.2 . Liabilities Classification

(Source: Author's compilation)

Classification of Liabilities

These are the three main classifications of liabilities:

Current liabilities (short-term liabilities) are liabilities that are due and payable within one year.

Non-current liabilities (long-term liabilities) are liabilities that are due after a year or more.

Contingent liabilities are liabilities that may or may not arise, depending on a certain event.

A/ Current Liabilities

Current liabilities, also known as short-term liabilities, are debts or obligations that must be paid within a year. Management should closely watch current liabilities to ensure that the company possesses enough liquidity from existing assets to guarantee that the debts or obligations can be met.

Examples of current liabilities: Accounts payable; Interest payable; Income taxes payable; Bills payable; Bank account overdrafts; Accrued expenses; Short-term loans

Current liabilities are used as a critical component in several short-term liquidity measures. Below are examples of metrics that management teams and investors look at when performing financial analysis of a company.

Examples of critical ratios that use current liabilities are:

- The current ratio: Current assets divided by current liabilities

- The quick ratio: Current assets, minus inventory, divided by current liabilities

- The cash ratio: Cash and cash equivalents divided by current liabilities

2.2.3. Owner's Equity

The owner's equity represents the owner's investment in the business after some time.

Owner's equity represents the owner of a business to the company's assets. Theoretically, owner's equity is what would be left if all liabilities were paid, and it is sometimes said to equal net assets. By rearranging the accounting equation, we can define owner's equity this way:

Owner's Equity = Assets - Liabilities

The owner's equity is affected by the owner's investments in and withdrawals from the business and by the business's revenues and expenses. The owner's investments are assets that the owner puts into the business (e.g., transferring cash from a personal bank account to the business's bank account). In this case, the assets (money) of the business increase, and the owner's equity in those assets also increases. The owner's withdrawals are assets that the owner takes out of the business (e.g., transferring cash from the business's bank account to a personal bank account). In this case, the assets of the business decrease, as does the owner's equity in the business.

2.2.4. Income

2.2.4.1. The concept and conditions for income recognition

Income: Is the total value of economic benefits obtained by the accounting entity in the accounting period, which are realized from ordinary business activities and other activities of the accounting unit, contributing to

increasing the source of income. Equity, excluding the contributed capital of the owner of the accounting unit.

The income recognized by the accountant must satisfy the following conditions:

- Income of an accounting unit must be determined for each certain accounting period;

- Income of an accounting unit must ensure the truthfulness of accounting information.

2.2.4.2. Types of income

The income of an accounting unit includes many different types; to provide helpful information for related users, it is necessary to classify income. Income is classified into ordinary operating income and other operating income.

Ordinary operating income is the income from the recurring activities of an accounting entity. It can be the revenue from the sale of goods and the provision of services or the interest from lending activities, the beneficial spread resulting from the transfer of securities. The everyday activities of an accounting entity are divided into principal activities and financial activities.

Irregular or otherwise irregular operating income that occurs during an accounting period is called other income.

2.2.5. Expenses

2.2.5.1. Definitions and conditions of cost recognition

Expense is the total value of items that reduce economic benefits in the accounting period in the form of outlays, depreciation of assets or arising of debts leading to a decrease in equity, not including distributions to owners.

In order to recognize an expense presented in the income statement, the following conditions must be met:

- A diminution of future economic benefits related to a decrease in the value of an asset or an increase in a liability;

- The reduction must be reliably determined;

- The level of such expenses must ensure the principle of matching with income.

2.2.5.2. The expenses

Expenses are classified into average costs and other costs.

Typical expenses include selling and operating costs, financial operating expenses, and administrative expenses.

2.2.5.3. Some special expense items

In the science of accounting, several accounting objects of an economic nature differ from their names, such as prepaid expenses and payable expenses.

Prepaid expenses are incurred in a specific accounting period but bring economic benefits for many subsequent accounting periods.

Unrecognized prepaid expenses are recognized as an asset. Accountants must allocate prepaid expenses into production and business expenses for accounting periods when prepaid expenses come into play. The unallocated portion of prepaid expenses is recognized as an asset.

Expenses payable are amounts in the current accounting period that have not been incurred but have been recognized as production and business expenses of that accounting period.

2.3. The effection of economics events on the accounting activities.

The Account:

An account is an individual accounting record of increases and decreases in a specific asset, liability, or owner's equity item. For example, Softbyte would have separate accounts for Cash, Accounts Receivable, Accounts Payable, Service Revenue, Salaries, Wages Expense, etc. (Note that we capitalize the name whenever we refer to a specific account.) In its simplest form, an account consists of three parts: (1) a title, (2) a left or debit side, and (3) a right or credit side. Because the format of an account resembles the letter T, we refer to it as a T-account.

T- account

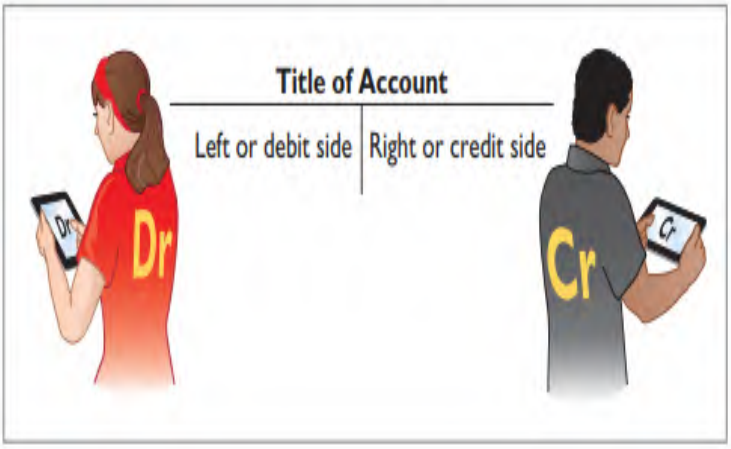


Figure 2.3. Title of account

(Source: John Wiley, Principles of accounting, 2008)

Debit and Credit:

The term debit indicates the left side of an account, and credit shows the right side. They are commonly abbreviated as Dr. for debit and Cr. for credit. They do not mean increase or decrease, as is widely thought. We use the terms debit and credit repeatedly in the recording process to describe where entries are made in accounts. For example, entering an amount on the left side of an account is called debiting the account. Making an entry on the right side is crediting the account.

When comparing the totals of the two sides, an account shows a debit balance if the sum of the debit amounts exceeds the credits. An account shows a credit balance if the credit amounts exceed the debits. Note the position of the debit side and credit side in figure 2.3

The accounting equation

The accounting equation is the basic và important principle of accounting and fundamental element of the balance sheet. The relationship among the main components in basic accounting is:

(Source: Author's compilation)

Accounting Equation is based on the double-entry system, which means that all the assets would be equal to all the liabilities and owner's equity in the book of the accounts.

The balance sheet is broken down into three main central elements, and their various underlying elements are: Assets, Liabilities, and Owner's Equity (Some books called Shareholder's Equity)

Transactions: The business events recorded by the accountants.

The transaction may be internal or external activities of the business.

Transactions (business transactions) are a business's economic events recorded by accountants.

Transactions may be external or internal. External transactions involve

economic events between the company and some outside enterprise. For example, Domino's Pizza's purchase of cooking equipment from a supplier, payment of monthly rent to the landlord, and sale of pizzas to customers are external transactions. Internal transactions are economic events that occur entirely within one company. The use of cooking and cleaning supplies are internal transactions for Domino's Pizza.

Companies carry on many activities that do not represent business transactions.

Examples are hiring employees, answering the telephone, talking with customers, and placing merchandise orders. Some of these activities may lead

to business transactions: Employees will earn wages, and suppliers will deliver ordered merchandise. The company must analyze each event to determine if it affects the components of the accounting equation. If it does, the company will record the transaction.

Example of accounting transactions:

Example 1: Purchasing a Machine with Cash:

Company ABC wishes to purchase a $500 machine by Cash (only Cash). This transaction would result in a debit to Equipment (+$500) and a credit to Cash (-$500). The accounting equation would be as follows: This transaction affects only the assets column of the equation; therefore, there is no corresponding effect in the liabilities or owner's equity on the right side of the equation.

This transaction affects only the assets column of the equation; therefore, there is no corresponding effect in the liabilities or owner's equity on the right side of the equation.

Example 2: Purchasing the Machine by Cash or credit, or Cash and credit.

Company ABC purchases a $500 machine but only pays $250 in Cash. The balancing purchasing by credit. The net effect on the accounting equation would be as follows: (The company can purchase this machine with an initial payment of $250, but it owns the manufacturer the remaining amount. It would result in a debit to Equipment (+$500), a credit to Account Payable (+$250), and a credit to Cash (-$250).)

2.3.1. Transactions analysis

The following examples are business transactions for a computer programming business during its first month.

Transaction (1). Investment by Owner.

David Beckham decides to open a computer programming service which he names Softbyte. On September 1, 2012, he invested $15,000 cash in the business. This transaction results in an equal increase in assets and owner's equity.

Transaction (2). Purchase of Equipment for Cash.

Soft bite purchases computer equipment for $7,000 cash. This transaction results in an equal increase and decrease in total assets, though the composition of assets changes. Money decreases $7,000, and the asset Equipment increases $7,000. The specific effect of this transaction and the cumulative effect of the first two transactions are:

Transaction (3). Purchase of Supplies on Credit.

Soft bite purchases for $1,600 from Acme Supply Company computer paper and other supplies are expected to last several months. Acme agrees to allow Softbyte to pay this bill in October. This transaction is a purchase on account (a credit purchase). Assets increase because of the expected future benefits of using paper and supplies, and liabilities increase by the amount due to Acme Company.

Transaction (4). Services Provided for Cash.

Soft bite receives $1,200 cash from customers for its programming services. This transaction represents Softbyte's principal revenue-producing activity. Recall that revenue increases owner's equity.

Transaction (5). Purchase of Advertising on Credit.

Soft bite receives a bill for $250 from the Daily News for advertising but postpones payment. This transaction results in an increase in liabilities and a decrease in owner's equity. The specific categories involved are Accounts Payable and expenses (specifically, Advertising Expense). The effect on the equation is:

Transaction (6). Services Provided for Cash and Credit.

Soft bite provides $3,500 of programming services for customers. The company receives cash of $1,500 from customers, and it bills the balance of $2,000 on the account. This transaction results in an equal increase in assets and owner's equity.

Transaction (7). Payment of Expenses.

Soft bite pays the following expenses in cash for September: store rent $600, salaries and wages of employees $900, and utilities $200. These payments result in an equal decrease in assets and expenses. Cash decreases $1,700, and the specific expense categories (Rent Expense, Salaries and Wages Expense, and Utilities Expense) reduce the owner's equity by the same amount. The effect of these payments on the equation is:

Transaction (8). Payment of Accounts Payable.

Soft bite pays its $250 Daily News bill in cash. The company previously [in Transaction (5)] recorded the bill as an increase in Accounts Payable and a decrease in owner's equity.

Transaction (9). Receipt of Cash on Account.

Soft bite receives $600 in cash from customers who had been billed for services [in Transaction (6)]. This does not change total assets, but it changes the composition of those assets:

Transaction (10). Withdrawal of Cash by Owner.

Ray Neal withdraws $1,300 in cash from the business for his personal use. This transaction results in an equal decrease in assets and owner's equity. Both Cash and Owner's Drawings decrease $1,300,

2.3.2. The influence of economic and financial transactions on financial reporting elements

As the content of Chapter 1 presented, economic and financial operations in the field of accounting must satisfy two conditions:

- Events that have arisen and affect the changes in assets, liabilities, and owners' equity of that accounting unit;

- The effect must be quantified in a reliable monetary measure.

An economic and financial transaction always affects elements of the financial statements, but it does not lose the balance of these factors.

The economic and financial transactions that affect the financial statement elements are summarized as follows:

Table 2.1. The economic and financial transactions that affect the financial statement elements

No	The type of transaction affects the financial reporting element	Contents of economic and financial operations
1	Assets increase, decrease assets	Customers pay the debt in cash
2	Increase assets, increase liabilities;	Purchase unpaid for suppliers;
3	Increase assets, increase equity;	Issuance of shares to be collected directly in cash;
4	Increase assets, increase income;	Collecting deposit interest directly in cash
5	Reducing liabilities, reducing assets	Bank transfer to repay the seller's debt.
6	Reduce payables, increase payables	Short-term bank loan to repay the seller's debt
7	Reduce liabilities, increase owner's equity	Bonds can be converted into shares
8	Reduce liabilities, increase income	Payment of advances from customers by providing goods
9	Reducing equity, reducing assets	Issue cash fund to pay dividends
10	Reduce owner's equity, increase liabilities	Announced cash dividend but not yet paid
11	Reduce owner's equity, increase owner's equity	Transfer a part of undistributed profits to the bonus and welfare fund
12	Costs incurred, property reduction	Cash out for product advertising in the period
13	Expenses incurred, increased liabilities	Calculating salary to be paid to employees in the period

(Source: Author's compilation)

SUMMARY

Introducing the list of account systems: An account System is a set of accounting accounts used in recording work, reflecting the status and fluctuations of the accounting objects.

Which elements of the financial statements are directly relevant to the determination of the business's particular financial position and position.

Financial position: The elements of the financial statements that are directly relevant to the determination and assessment of the financial status are Assets, Liabilities, and Equity.

+ Business situation: Factors directly related to the assessment of business situation and results are revenue, other income, expenses, and business results.

Recognition of elements of financial statements: Financial statements must record aspects of an enterprise's financial position and business situation; those components should be itemized. An item is recognized in the financial statements when both of the following criteria are satisfied:

+ It is probable that future economic benefits will be obtained or reduced;

The item has value and can be reliably measured.

PRACTICE EXERCISES

A. Questions:

1. What is property? How are assets classified in businesses?
2. Analysis of the conditions for recognition of liabilities.
3. What is a liability? In enterprises, how are liabilities classified?
4. What is equity? In enterprises, how is equity capital classified?
5. What is income? What types of income are there?

6. Concept analysis and income recognition conditions.

7. Concept analysis and cost recognition conditions.

B. Multiple choice

1. Equity is the remainder of the total asset value after deducting ...

A. total amount of liabilities B. liabilities. C. bad debt

2. The income of an accounting unit includes many different types; to serve to provide helpful information for related users, it is necessary to classify income.... and other operating income.

A. Income is classified as extraordinary operating income

B. Income classified as securities operating income

C. Income classified as ordinary operating income

3. Expenses are classified into average expenses and other expenses.

Typical expenses include selling and operating expenses, financial operating expenses, and operating expenses...

A. Sales Manager; B. purchasing cost C. business management

4. The relationship of the elements on the financial statements

The duality of an asset indicates that at a given point in time.... an accounting unit is always equal to its total liabilities and equity.

A. assets

B. total assets

C. long-term assets

5. Expenses payable are those in the current accounting period ... but have been recognized as production and business expenses of that accounting period.

A. has not occurred B. has occurred

C. Exercise

DO IT	Tabular Analysis
Action Plan ✔**Analyze the effects of each transaction on the accounting equation.** ✔**Use appropriate category names (not descriptions).** ✔**Keep the accounting equation in balance.**	Transactions made by Virmari & Co., a public accounting fi rm, for the month of August are shown below. Prepare a tabular analysis which shows the effects of these transactions on the expanded accounting equation, similar to that shown in Illustration 1-8. 1. The owner invested $25,000 cash in the business. 2. The company purchased $7,000 of offi ce equipment on credit. 3. The company received $8,000 cash in exchange for services performed. 4. The company paid $850 for this month's rent. 5. The owner withdrew $1,000 cash for personal use.

Solution

	Assets		**= Liabilities +**		**Owner's Equity**		
Trans-action	Cash	+Equipment	=Accounts Payable	+ Owner's Capital	- Owner's Drawings	+ Revenues	- Expences
1	+25.000			**+25.000**			
2		**+7.000**	**+7.000**				
3	+8.000					**+8.000**	
4	-850						**-850**
5	-1.000				**-1.000**		
	31.150	**+7.000**	**+7.000**	**+25.000**	**-1.000**	**+8.000**	**-850**
		38.150			**38.150**		

Exercise 1: At TruongThanh enterprise, there are documents about assets and sources of asset formation on 1/1/N as follows: (Unit: USD)

112. Cash in bank	1.500.000
111. Cash on hand	510.000
152. Raw materials	768.000
154. Work in progress	280.000
156. Finished goods	1.540.000
211. Intangible fixed assets	2.880.000
214. Depreciation of fixed assets	645.000
334. Payables to employees	230.000
338. Other payables	98.000
411. Owner's equity	Z
421. Undistributed profit after tax	1.240.000
414. Investment and development fund	950.000

Request: Determine the balance of business capital; determine total short-term assets, total long-term assets, liabilities, and equity as of 01/01/N.

Exercise 2: At XuanSon enterprise on January 1, there are documents on the number of assets and the source of asset formation as follows: (Unit: USD)

111. Cash on hand	240.000
131. Trade receivables	650.000
136. Internal receivables	120.000
335. Accrued expenses	1.350.000
338. Other payables	700.000
112. Cash in bank	1.850.000
128. Investments held to maturity	200.000
331. Trade payables	480.000
341. Borrowings and finance lease liabilities	1.215.000
334. Payables to employees	25.000

138. Other receivables	80.000
153. Tools and supplies	620.000
158. Goods in bonded warehouse	3.200.000
333. Taxes and other payables to State Budget	50.000
411. Owner's equity	4.420.000
441. Capital expenditure funds	860.000
141. Advances	80.000
211. Tangible fixed assets	2.640.000
221. Investment in subsidiaries	640.000
414. Investment and development fund	760.000
421. Undistributed profit after tax	460.000

Request: Based on the above document, please classify assets according to business capital structure and source of business capital formation of Xuan Son enterprise.

Exercise 3: At Sao Mai enterprise has the following documents on assets and sources of asset formation as of 1/1/N as follows: (Unit: USD)

111. Cash on hand	650	152. Raw materials	180
112. Cash in banks	2.100	335. Accrued expenses	12
331. Trade payables	360	244. Mortgage, collaterals and deposits	100
121. Trading securities	970	156. Merchandise goods	4.600
131. Trade receivables	420	242. Prepaid expenses	45
136. Internal receivables	120	344. Deposits received	290
338. Other payables	40	411. Owner's equity	5.600
334. Payables to employees	48	414. Investment and development fund	960.
138. Other receivables	20	211. Tangible fixed assets	3.400
128. Investments held to maturity	500	441. Capital expenditure funds	1.695

336. Internal payables	350	417. Enterprise reorganization assistance fund	690
141. Advances	60	421. Undistributed profit after tax	400
221, Investment in subsidiaries	1.400	213. Intangible fixed assets	460
151. Goods in transit	360		

Requirements :

1. Please classify assets according to the classification: According to the structure of business capital and according to the structure of sources of business capital.

2. Determine the value of the enterprise's assets according to the above classification.

CHAPTER 3:
ACCOUNTING METHODS

Tutorials

To do well in this lesson, students need to follow the learning methods:

+ Follow the weekly course schedule, complete the exercises and participate in discussion on the forum.

Read documents: Textbook Accounting Principles (2015)-Twelfth Edition. Page 40-47. Textbook Theory of Accounting (2014), Doan Xuan Tien, House Finance publishing; Textbook Accounting for People Who Think They Hate Accounting (2016), Anurag Singal, Chartered Accountant, MBA (IIM Ahmedabad)

+ Work in groups and communicate with instructors directly in the classroom or via email.

+ Course Web site.

Abstract: This chapter introduces the basics of accounting methods:

- Contents of accounting voucher method; pricing method; method of accounting accounts and method of generalization - the balance of accounts.

- Determining accounting entries for economic and financial transactions arising in purchasing, production, and sales.

- Prepare tables: Balance of arising numbers, Details of arising numbers, Accounting balance (in simple form).

Study Objectives:

LLO1: Understand The Accounting Methods

LLO2: Understand the meaning of Content and meaning or accounting voucher method, Classification of accounting voucher, Basic information in accounting voucher…

LLO3: Apply the price calculation; Method of accounting accounts; Check and reconcile the data recorded in the accounting accounts through illustrative examples.

LLO4: Apply the method of generalization and balance of accounts; Apply the system of accounting methods to accounting in business processes through examples.

Introductory situation:

A touching story about the accounting profession

Accounting is not necessarily a dry, boring profession. It is one of the most important and exciting jobs. Here I will share a touching story about accounting that I know.

Sasha is the youngest child of an ordinary civil servant family in a beautiful Russian port town. His father is a professional accountant, careful and honest.

Sasa only saw that his father had to stay up very late every day and calculate and record the messy papers without understanding his father's job was? Sasha is good at math, so he is sometimes asked by his father to do simple calculations for him.

Russian winters are very harsh. At the end of the year, work is hectic; dad has to stay up late to work. At night, waiting for his father to sleep, 15-year-old Sasha sneaked into his father's office and silently helped him add and subtract long series of numbers. Being intelligent, Sasha did

Long sequences of numbers were no longer too confusing for Sasa. He realized that they all had a special meaning:

+ The salary that employees like Sasha's parents received every month.

it very quickly. Once, he was crouching down to calculate when suddenly the door to the room opened. Sasa's father stood silently at the door, looking at his son, his heart filled with emotion. He held the child in his arms and burst into tears. Since then, after studying, Sasa was allowed to help her father. He taught him how to classify accounting vouchers, explained what an accounting account is, how to record vouchers in accounting books, etc.

+ The profits of the shops.

+ The taxes are to be paid to the state to save money.

Road construction.

I don't know since when Sasa fell in love with numbers and wanted to be an accountant like her dear father. At 18, Sasha entered a prestigious university in Moscow as valedictorian and studied accounting. After graduating from the university with excellent grades, he was invited to work by many big companies. But Sasha decided to return to contribute to the construction of his homeland.

Eight years later, Sasha became the Chief Accountant and, shortly after that, the youngest city president in Russia.

Source: *A touching story about the accounting professionhttps,*

://tintucketoan.com/chuyen-nghe-ke-toan/

3.1. The Accounting Methods System

The system of accounting methods is built based on distinct points of object accounting:

- The object of accounting in general, because the mandatory and essential measure of accounting is the monetary measure, so the accounting methods can reflect its thing at the most general level.

- The accounting object is diverse in the static state. Accounting objects are divided into many specific and detailed accounting objects from the general level. Since then, construction accounting methods must reflect the diversity of accounting objects in this state.

- The accounting object is volatile, so the accounting methods are built based on the movement of the accounting object.

- The accounting counterpart is always balanced. Therefore, the construction accounting methods reflect the accounting object's inherently balanced relationship.

The accounting method system includes the accounting voucher method; Account method; Price calculation method (Pricing method), general approach - the balance of accounting.

This system of accounting methods is used simultaneously in different types of businesses.

3.2. Accounting Voucher Method

3.2.1. Content and meaning or accounring voucher method

3.2.1.1 Content of The method of accounting vouchers

The accounting voucher method reflects economic and financial transactions that have arisen and been completed according to the time and place where such activities occur in the accounting records for accounting and management work.

An accounting voucher (Bussiness Document) is a record that acts as a supporting document to the entries recorded in the accounting books. The accounting vouchers help uphold a higher control over the payment process. Another advantage of a voucher is that it can be pre-numbered, making the auditing easier.

A voucher is a document that reflects an economic event established by the statutory format and procedures, using the basis to record in the accounting books. It is the first document of management, the information contained in the certificate, from the current expression with the size of the current object, labor, value. The composition may be in paper form or by identification by electronic means.

The documentary method is composed of two elements

- Accounting voucher system

- Rotation of Accounting Voucher

3.2.1.2 Meaning of The method of accounting vouchers

The method of accounting vouchers has an essential meaning in accounting work and economic and financial management, which is shown as follows:

Thanks to the accounting voucher method, the unit accountant can receive and provide fully, timely, accurately, and truthfully information about economic and financial activities occurring at other times. Different locations during the operation of the unit.

Thanks to the accounting voucher method, accountants carry out regular checks of economic and financial activities in the unit. Check the legality and rationality of economic and financial activities, timely prevent wastefully, embezzled, and infringing phenomena and actions of property, violating policies, regimes, and regulations on economics, finance, accounting.

Thanks to the method of accounting vouchers, relevant functional departments and individuals can timely identify economic and financial activities occurring during the unit's operation. Correct and appropriate solutions and decisions contribute to the team's practical management of economic and financial activities.

The meaning of the accounting voucher method is also reflected in the legality of the accounting vouchers:

- Accounting vouchers are the legal basis for all accounting data and documents.

- Accounting vouchers are the legal basis for checking the observance of policies, regimes, economic and financial performance, reviewing and determining the material responsibilities of units, individual departments for economic and financial activities recorded in the accounting vouchers.

- Accounting vouchers are the legal basis for settling economic and financial disputes and complaints.

3.2.2. Classification of accounting voucher

Accounting vouchers are the secondary or subsidiary vouchers made based on other supporting vouchers that third parties issued. Once the

accountant or manager prepares these vouchers, they are signed by the company's authorized person.

Accounting Vouchers can be classified into two types- cash vouchers and noncash vouchers.

Cash Vouchers: For all cash transactions, a cash voucher is prepared. There are two types of cash vouchers.

A) Debit Voucher for Cash Payment

We prepared debit vouchers for all types of cash payments. Following are the leading payments that will record in a debit voucher for cash payments.

a) For paying cash expenses

b) For paying the bill of buying goods.

c) For payment of investment

d) For payment to creditors

e) For depositing money in the bank

B) Credit Voucher for Cash Receipts

The credit voucher is also part of a cash voucher in which we write only the cash receipt of each transaction

Following are the primary receipt

a) For receipt of income

b) Cash received from sales

c) Cash sale of investment

d) Cash from the sale of fixed assets

e) Cash received from our debtors

2. Non- Cash Vouchers or Transfer Vouchers

The accountant will also prepare noncash vouchers for noncash transactions except for cash vouchers. Following are the foremost transactions that will be gone to noncash coupons.

a) For credit purchase or credit sale of goods

b) For credit purchase or credit sales of fixed assets and investment

c) For the return of goods that are purchased or sold on credit

d) For providing depreciation

e) For writing off the bad debts.

3.2.3. Basic information in accounting voucher

Elements for accounting vouchers to be valid vouchers:

***Basic Elements*:** These are the mandatory elements that all documents must be follow

Table 3.1: Elements in accounting voucher

No	Basic Elements	Meaning
1	Name and code of accounting voucher	Overview of the business reflected by the documents
2	Date, Month, Year of making the accounting voucher	Time of business creation
3	Name and address of the business or individual making the accounting voucher	Place of issue of accounting voucher
4	Name and address of the business or individual receiving the accounting voucher	Place to receive the accounting voucher
5	Name of economics events	Provides the mêaning of the effect of economics events and the voucher
6	Quantity, price each unit and amount of economic and financial operations recorded in numbers; total amount of accounting vouchers used for money collection and payment, written in numbers and words;	Reflect the scope and scale of economic activities
7	Signature, full name of the maker, reviewer and people related to the accounting voucher	Reflect the relationship between legal entities to ensure the legality of documents

(Source: Author's compilation)

For example payment vouchers.

HC Co., Ltd
88 Luong Ngoc Quyen Street, Thai Nguyen City
Tax Code : 4601018753

PAYMENT

No. PC0000001

Date: 02 September 2018

Receiver: Thai Nguyen Tax Department
Address: 7 Doi Can, Trung Vuong, Thai Nguyen City
For: VAT payment in 10/2018

Amounts: **12 834 000** VND
In words: Twelve Million Eight Hundred Thirty Four Thousand VND.

Page 1

Enclosure: 0 document(s).

Date: 02 September 2018

Head of company	Chief Accountant	Receiver	Settlement Accountant	Cashier
(Sign, full name)	(Sign, full name)	(Sign, full name)	(Sign, full name)	(Sign, full name)

- **Additional Elements** Are elements that are not required for all vouchers depending on each document to meet the requirements of management and bookkeeping but have different other factors such as payment methods but additional factors diverse as a payment method, sales method.

For example receipts.

HC Co., Ltd
88 Luong Ngoc Quyen Street, Thai Nguyen City
Tax Code : 4601018753

RECEIPT

No. PT0000001

Date: 20 September 2018

Payer Thanh Tung Co., Ltd
Address: 6 Luong Ngoc Quyen St., Thai Nguyen City
For: Merchandise goods payment

Amounts: **10 000 000** VND
In words: Ten Million VND.

Enclosure: 0 document(s). HĐ 123, 356

Date: 20 September 2018

Head of company	Chief Accountant	Payer	Settlement Accountant	Cashier
(Sign, full name)	(Sign, full name)	(Sign, full name)	(Sign, full name)	(Sign, full name)

For example warehouse receipts

Company: Thanh Cong Co, Ltd
Part:.....

Form No. 01 - VT
(Issued according to Circular No. 200/2014/TT-BTC
(December 22, 2014 of the Ministry of Finance)

RECEIPT BILL
January 02/ N
No: NK01

Dr 152
Cr 331

- Full name of the delivery person: Tran Xuan Ha - Thinh Vuong Company
- According to invoice number 0009329 dated January 2, year N of Thinh Vuong Company

Import at the warehouse: Materials Location.....

No	Names, trademarks, specifications, quality of materials, tools, products and goods	Code	Unit	Quantily		Unit price	In to money
				According to the voucher	Actually imported		
A	B	C	D	1	2	3	4
1	Cemment	Cement	Kg	7.000	7.000	200	1.400.000
2	Steel	Steel	M	6.000	6.000	180	1.080.000
	Total	x	x	x	x	x	2.480.000

- Total amount (in words): Two million four hundred and eighty thousand USD
- Number of original documents attached: 01

January 2, year N

Voter	**Deliver**	**Stockr**	**Chief Accountant (Or the department that needs to enter)**
(Sign, full name)	(Sign, full name)	(Sign, full name)	(Sign, full name)

3.2.4. The process of solving accounting voucher

3.2.4.1. Check accounting voucher

When receiving the accounting voucher, the accounting staff of the unit shall check the following contents:

Firstly, the legality and validity of economic activities recorded in accounting vouchers as well as the legality and validity of accounting vouchers;

Secondly, check the clarity, completeness and truthfulness of the elements of the accounting vouchers;

Thirdly, inspect the observance of regulations in the making of accounting vouchers;

Fourthly, check compliance with approved norms and estimates.

When the accounting vouchers are checked and found not to satisfy the above contents, they must immediately report to the chief accountant and the head of the unit for timely handling.

3.2.4.2. Complete accounting voucher

Is the collection and classification of vouchers in service of bookkeeping. Accounting vouchers reflect financial accounting activities related to assets without fully recording data and units of measurement (currency); accountants need to calculate accurately and correctly. And fully record the necessary branches of size, then classify the vouchers, summarize the data, make accounting entries (if any) in service of the accounting books.

3.2.4.3. Rotation of accounting vouchers

After being checked and completed, accounting vouchers need to be circulated to relevant departments, units, and individuals to serve the recording of accounting books and financial information.

The organization of rotation of accounting vouchers must comply with the regulations of the chief accountant of the enterprise on order and time.

Based on the need to receive information, the time to receive and process information in the departments and units, the chief accountant of the enterprise has specific regulations on the path of accounting documents to the departments, and the time. Use.

The path of accounting vouchers can be organized according to the following model: consecutive, parallel, or both consecutive and parallel.

3.2.4.4. Preservation and archivement of documents

Accounting documents, after being used, should be preserved and archived according to the regulations on archiving of accounting documents and documents issued by the State. According to Article 40- Law on Accounting:

The accounting unit must fully and safely preserve accounting documents during use and storage.

Archived accounting documents must be originals. If documents are seized or confiscated, there must be a record enclosed with a photocopy or certification of the confiscating and temporary seizure agency.

Accounting documents must be archived within 12 months from the end of the annual accounting period or the end of accounting work.

The legal representative of the accounting unit is responsible for preserving and archiving accounting documents.

Accounting documents must be archived according to the following time:

- At least five years for accounting documents used for management and administration of the accounting unit, including accounting vouchers not used directly to record accounting books and prepare financial statements.

- At least ten years for accounting programs directly used to record accounting books and prepare financial statements, accounting books, and annual financial statements, unless otherwise provided for by law.

- Permanently archive accounting documents of historical significance, having important economic, security, and national defense meanings.

When detecting loss of accounting vouchers, they must promptly report to the head, chief accountant of the unit, and functional agencies for timely handling measures.

3.3. Price calculation method.

3.3.1. Content and meaning of Price calculation method.

3.3.1.1. Content

Price calculation method. It is an accounting method that uses monetary measures to measure the value of accounting objects according to certain principles.

This method allows synthesis and reflects aggregated indicators related to assets, sources of asset formation, capital structure, and business capital sources determining input costs and output results. The enterprise's production and business activities and thus serve to analyze and evaluate the enterprise's financial position.

Under this method, the value of an asset is calculated at cost, including the charges of purchasing, handling, transporting, assembling, processing, and other directly attributable costs of bringing the support to its ready state. Ready to use.

The accounting unit cannot self-adjust the recorded asset value in the accounting books unless otherwise provided for by law during the book-keeping process.

3.3.1.2. Meaning

Price calculation method. Is very important in the accounting process as well as for the decisions of the parties using accounting information.

If the price calculation is not performed, it is impossible to proceed to the next steps of the accounting process, such as bookkeeping, data aggregation, and presentation of accounting information on the financial statements. The general economic indicators presented in the financial statements, reflecting the financial position and the results of business activities, the cash inflows, and outflows of the accounting unit, can only be realized through the pricing method.

The content of Chapter 1 has shown that the users of accounting information need accounting information of a general nature, from which to analyze and compare to make appropriate decisions. Moreover, the accounting information resulting from the valuation method directly affects the decision quality of these subjects. If assets are overvalued and liabilities are undervalued, investors and lenders may be exposed to the risk of bankruptcy or lower economic returns—their estimate. If the opposite happens, the investment or loan decisions of the stakeholders will not be most effective.

Stemming from the important meaning of the pricing method, in order to ensure the requirements for accounting information, the pricing method must provide the following basic requirements:

Firstly, pricing must ensure reliability. The value of accounting objects must be determined based on reliable grounds and evidence and following generally accepted accounting principles.

Secondly, pricing must ensure consistency. Many different specific valuation methods can use the value of accounting objects; to provide the principle of consistency in accounting, a consistent requirement for the valuation method is necessary.

3.3.2. The main types of prices used in the pricing method

3.3.2.1 Types of prices mainly used to calculate asset prices

The most practical value for assessing property is the actual economic value. However, we cannot determine it with certainty and objectively because determining the real economic value depends on the subjective will of each individual for his purposes. For this reason, we cannot use absolute financial matters in the pricing method. The prices that can be used as an alternative to the real economic value to evaluate the property are the historical cost (original price) and different kinds of expenses such as market price (Fair value principle), present value, etc...

The cost principle is one of the basic underlying guidelines in accounting. It is also known as the historical cost principle. The historical cost principle states that assets should be recorded at their original cost rather than their current market value.

Example of Cost Principle

The cost principle means that: an equipment purchased for the cash amount of $50,000 will be recorded at $50,000. If the same asset was purchased for a down payment of $20,000 and a formal promise to pay $30,000 within a reasonable period and with an affordable interest rate, the asset will also be recorded at $50,000

For supplies and goods: Original price, also known as actual value, is determined in the following specific cases:

(1) For raw materials, materials, equipment, and goods upon arrival at the warehouse

- By purchase (domestic purchase):

Actual prices of materials, equipments, and purchased goods	=	**Actual purchase price Materials, equipments, goods**	+	**Transportation costs loading and unloading, storage, yard**	-	**Trade discounts, sales discounts**

- Due to import:

Actual prices of imported materials and goods	=	**Purchase price**	+	**Cost buying**	+	**Import Tax, Special Consumption Tax (if any)**	-	**Trade discounts, sales discounts**

- Provided by the State:

Actual prices of imported materials and goods	=	**The price is stated in the delivery note**	+	**Receipt cost**

- Due to donation: Price is determined according to market price.

Actual prices of materials and goods	=	**The price is assessed by the shareholders' council and joint venture council.**

- By receiving capital from shareholders, shares or joint ventures:

Actual prices of imported materials and goods	=	**Price set by the shareholders' council, Joint Venture Board Review**	+	**Receipt cost**

- Completed by self-manufactured unit and imported into warehouse:

Actual prices of imported materials and goods = Actual production cost

- Materials to be processed, processed, and stocked:

Material value to warehouse	=	**Material export price to be processed**	+	**Processing rent expense**	+	**Cost of transportation, loading and unloading of materials**

(2) For raw materials, materials, equipment, tools, goods when exported

The actual value of materials and goods delivered from the warehouse is the actual value of materials and interests at warehousing. The following methods calculate the inventory value of supplies and goods: Average cost method (average of the whole period of inventory, average after each import, standard at the end of the previous period), first-in, first-out method. First in, first, in, first-out method, cost accounting method ...

Method 1: Weighted-Average method.

The period method-average method of reserves is calculated by the following formula:

$$\text{Unit price reality Average} = \frac{\text{Actual value of materials and goods in inventory at the beginning of the period} + \text{Actual value of materials and goods in stock during the period}}{\text{Quantity of materials and goods in stock at the beginning of the period} + \text{Quantity of materials and goods imported in the period}}$$

$$\text{Actual cost of materials and goods exported} = \text{Actual unit price Average} \times \text{Quantity of materials and goods export}$$

Average price method after each entry:

$$\text{Average unit price troops after each import times} = \frac{\text{Actual value of inventory materials and goods}}{\text{after each input}}$$

Method 2: First-in, first-out (FIFO) method: This method is based on accounting data that goods in first will be exported first and take the actual purchase price of that import to calculate the value of goods out of stock.

Method 3: Last-in, first-out (LIFO) method: This method is based on the accounting data that the last goods in will be shipped first, and the value of goods out of stock is calculated based on the quantity of goods released from stock and the unit price of the latest imported goods available. in stock. The value of ending inventory is calculated according to the quantity of inventory and the unit price of the oldest imported goods and the unit price of the last imported consignment up to the time of inventory determination.

Method 4: Price coefficient method

$$\text{Price coefficient} = \frac{\text{Actual value of materials and goods in stock at the beginning of the period} + \text{Actual value of imported materials and goods in the period}}{\text{Accounting value of materials and goods in stock at the beginning of the period} + \text{Accounting value of materials and goods imported in the period}}$$

$$\text{Actual price of materials and goods out of stock in the period} = \text{Price coefficient} \times \text{Accounting prices of materials and goods out of stock in the period}$$

$$\text{Accounting prices of materials, goods exported} = \text{Quantity of materials, goods exported} \times \text{Accounting unit price}$$

The accounting unit price is the price that the unit chooses to record according to its accounting data.

(3) For Fixed Assets

* Valuation of Fixed Assets at the residual value.

- Cost of Fixed Assets: Includes all costs incurred by the entity to acquire the Fixed Asset and bring the Fixed Asset into position ready for use.

- Depreciation of fixed assets: The gradual decrease in the value of fixed assets due to participation in production and business activities, natural wear and tear, scientific and technical progress, etc., use of that property.

- Remaining value: The original cost of the fixed asset that has not been fully depreciated

Residual value of fixed assets	=	**Original price**	-	**Accumulated depreciation of fixed assets**

* Valuation of fixed assets at cost.

- Fixed assets purchased in domestic:

Original price Fixed assets	=	**Price flow the invoice**	+	**Cost of installation, testing, transportation, loading and unloading**	-	**Deductions; Value of scrap from trial run to recover (if any)**

- Fixed assets purchased for import:

Original price Fixed assets	=	**Invoice purchase price**	+	**Cost of installation, test run, transportation, loading and unloading; import tax, special excise tax (if any)**	-	**Deductions; Value of recalled products (if any)**

- Fixed assets formed through capital construction or self-production:

Original cost of fixed assets due to construction or self-manufacturing	=	**Actual cost of self-build, self-manufacture**	+	**Cost of installation and trial run (if any)**	+	**Other directly related costs and registration fees (if any)**

- Fixed assets of basic construction according to the method of contracting:

Original cost of fixed assets due to new construction and self-manufacturing	=	**Approved settlement value**	+	**Cost of installation and trial run (if any)**	+	**Other directly related costs and registration fees (if any)**

- Fixed assets received from other entities contributing capital to the joint venture

Original cost of fixed assets due to capital contribution to joint venture	**Agreed value of the parties to the Joint Venture (JV contract)**			**Cost of transportation, installation, test run, registration fee (if any)**

- Fixed assets are allocated or transferred to:

Original cost of fixed assets be provided	=	**Residual value of the allocated fixed assets (or the value according to the actual assessment of the forwarding council)**	+	**Expenses for refurbishment, repair, transportation, loading and unloading, installation, test run, registration fee... (if any)**

- Donated fixed assets:

Original cost of fixed assets	=	**Equivalent market value**	-	**Acquisition cost**

If an asset is formed from an exchange with another accounting unit and is paid or paid in cash, its historical cost is the amount the accounting unit has or will spend to obtain the asset - that property.

If assets are formed from exchange transactions, including assets that are not in the form of currencies, the general rule for determining the historical cost of these assets is as follows: the purchase is not in the form of coins used in the exchange, or the fair price of the support received if such a reasonable price is more reliable.

If the property is formed by the owner's capital contribution, donation, etc., the original price of such asset is determined at the fair price at the time of recognition.

The original cost of assets at the time of use (such as inventories, foreign currencies, investment securities...) or help in the process of being used that have been depreciated (for example, fixed assets...) can be determined using a variety of technical methods, but still based on its original cost.

Once determined at the time of recognition, the cost of assets will not change regardless of subsequent price movements, and they are used to prepare the balance sheet asset targets. Maths.

The recognition and valuation of assets at cost govern the choice of income recognition principle and the determination of operating results; in particular, income and operating results are recognized on a performance basis.

The base price has the following essential advantages:

Firstly, base prices provide more reliable information than other prices. Most items constituting the actual cost of goods are determined objectively and reflected in the accounting vouchers, based on the agreement and exchange between the parties involved in the transaction, forming the original cost.

Secondly, historical cost is relevant information for economic decisions through cost-volume-profit analysis, pricing of products, continuing production or discontinuing a part, and a range of other choices based on coefficients calculated based on the information presented in the financial statements.

However, the original cost of assets cannot reflect the market value of support on the balance sheet. For long-term investments and in the case of

significant price fluctuations in the market, the downside of the original price is even more evident.

Fair Value Principle

Fair value accounting uses current market values to recognize certain assets and liabilities. Fair value is the estimated price at which an asset can be sold, or a liability settled in an orderly transaction to a third party under current market conditions.

For example, specific investment securities are reported at fair value because market value information is usually readily available for these assets. In determining which measurement principle to use, companies weigh the factual nature of cost figures versus the relevance of fair value. In general, most companies choose to use cost. Companies apply the appropriate value principle extensively when assets are actively traded, such as investment securities.

In the second case, Fair value accounting is the selling price; in other words, it is the price the accounting unit obtains when realizing the value of the goods through the sale process.

The scientific basis of the market price comes from the not-so-optimistic view of the existence of the unit of account by accounting scholars around the XIII-XIV centuries. On the other hand, it is a consequence of the school of property theory. Due to a large number of bankrupt accounting units in this period, they believe that the assets of the accounting unit must be assessed at market prices to consider the accounting unit's solvency. Or low.

If, according to historical cost, based on the time of formation of assets to calculate the price of investments, then according to market price, the calculation of the price of support is usually done at the time of making the balance sheet or when the accounting unit dissolution, merger or consolidation. The market price and the original price are equal at asset formation; however, the longer the time-lapse, the more significant the difference between the actual price and the market price; this difference is most evident for long-term assets.

For example:

Table 3.2: Example to compare the original cost and Fair value principles

Unit: USD

Cost / Asset type	Original cost of assets	Fair value principles
Short-term stock investment	100.000	125.000
Goods	200.000	168.000
Factories	400.000	375.000
Land use rights	300.000	340.000

(Source: Author's compilation)

In this example, the market price of the short-term stock investment and the land use rights is higher than their original cost; the market price of the goods and the factory is lower than its actual price.

For short-term assets such as commodities, short-term securities investments, using market prices to calculate prices for them is not difficult. However, for equipment, machinery, and other fixed assets, calculating their costs is a complicated matter. Factories with the same structure and time of economic usefulness have specific differences. Land use rights cannot be the same between land plots of different locations; therefore, calculating their value at market prices faces many difficulties.

Fair value principles affect the data of accounting objects presented on the balance sheet and the method of determining operating results. Where results are determined using the ending and beginning equity comparison method, the use of market prices will recognize unrealized profit in the operating results. For example, if the market price of short-term security is higher than its original price, the difference will be recognized in the reporting period. This result (unrealized profit) is reported before a short-term securities sale is made. However, due to the necessity of assets available in distributing profits to related parties, the difference in the revaluation of support at the market value of assets is accounted for. or reduced equity capital.

The advantage of the market price is that it provides valuable information about the asset for parties using the accounting entity's financial statements in assessing its financial position. This advantage of the market price is more evident in the case of a significant difference between the original price and the market price.

The main disadvantage of market prices is that the reliability requirements of accounting information are reduced by using this price type. As pointed out above, the determination of the market price of long-term assets depends a lot on the subjective opinion of the evaluator.

Other prices

In addition to the original price and market price, there are many different costs in accounting, such as fair price, present value, etc.

Fair Price: The value of an asset can be freely exchanged between knowledgeable parties in an equal exchange. At initial recognition of assets, their fair value is the asset's original cost. In cases where the asset's market price does not exist, a satisfactorily determined value may be considered a reasonable price.

Present value is the present value of future cash flows. The current value is determined on a case-by-case basis.

3.3.2.2 The main types of prices used to calculate the cost of liabilities

Calculating the cost of liabilities is essential to determining equity and operating results. Compared with the types of prices used to calculate asset prices, the number of prices used for liabilities is much less because the characteristics of liabilities are essentially part of the company's legal obligations—accounting units for other individuals or accounting units. Weaknesses can be valued at cost or present value. The original liability price is understood as the amount associated with and generated by the economic contract. The current value for calculating the value of a penalty is similar to the present value for calculating the asset price.

There is no difference between these two (02) rates used to calculate the price of payables to be settled immediately.

For short-term liabilities, the difference in value determined by the above two types of prices is negligible because the length of the maturity period of the payables does not affect the price. Give rise to this critical difference. Usually, the cost is often used to calculate the price for short-term liabilities, or in other words, the amount the accounting entity must pay in the future.

For long-term liabilities, their value is usually calculated at the present value of the future amounts payable by the unit, which is determined based on the effective interest rate. The amount the unit must pay in the future including its principal and interest.

3.3.2.3 The main types of prices for calculating the owner's equity

Economic and financial transactions mainly related to owners' equity can be divided into two (02) types: Economic and financial operations related to contributed capital and economic and financial processes and business results.

Economic and financial transactions related to capital contribution include economic and financial operations of the owner contributing capital or withdrawing capital. In this case, the prices used to calculate the equity price are the same as those used to determine the value of the asset contributed or withdrawn by the owner.

Economic and financial transactions related to business results include economic and financial transactions related to income and expenses. This accounting object pricing affects equity depending on how revenue and costs are determined.

Thus, there are many different types of prices in determining the value of accounting objects. These prices are used interchangeably and form the basis of pricing principles. For example, Principle of the original price, Principle of market price, Principle of lowest price between actual cost and market price...

3.4. Account Method

3.4.1. Content and meaning of Account Method

The accounting method is an accounting method that uses accounting accounts to classify specific accounting objects according to economic content to record and reflect on a regular, continuous, and systematic basis—existing numbers and fluctuations of each specific accounting object.

The use of the accounting account method follows two important contents:

- Using accounting accounts to systematically reflect specific accounting objects according to each economic and financial indicator.

- Using the recording method on accounting accounts to reflect the arising and completed economic and financial transactions (which were initially recorded on the accounting vouchers) based on classifying those transactions according to economic content to be credited to the respective account.

Thus, the form of expression of the accounting method includes accounting accounts and how to record on accounting accounts.

The method of accounting accounts is essential:

The method of accounting accounts can collect and systematize the movements of each accounting object in the process of processing accounting information.

The accounting account method overcomes the discrete copying of each transaction of the accounting voucher method, making it easier to systematize accounting information according to each economic and financial criterion. thereby serving the preparation of accounting reports

3.4.2. Account and the Structure of account

3.4.2.1. Definition of Account

An accounting account is a content of the accounting account method used to regularly, continuously, and systematically record economic and financial transactions arising under each specific accounting object. In other words, an accounting account is a means to summarize all arising monetary transactions affecting each separate accounting object, such as cash, bank deposits, business capital, etc.

3.4.2.2. Account and the Structure of account

The account is used to reflect regularly with the existing numbering system and the movement of each separate accounting object. Each accounting object has different economic content, meaning, and management requirements, but in terms of their training, any particular accounting object always moves in two opposite directions. Such as the movement of cash is

revenue and expenditure, raw materials are imported and exported, and bank deposits are increased and decreased, etc. Thus, the contents of the accounting account include:

Opening balance: Reflects the current balance of the accounting object at the beginning of the period.

Increased number of arisings during the period: Reflects the increased movement of accounting objects.

Decreased arising amount in the period: Reflects the decrease in the movement of accounting objects during the period.

Average balance: Reflects the current balance of the accounting object at the end of the period.

Accounting objects always move in the opposite direction of increasing and decreasing; after each change, their existing number changes. The structure of accounting accounts must ensure to reflect the current situation and fluctuations of each specific accounting object.

Accounting accounts in the accounting records of enterprises are accounting books (or lists). Usually, the structure of the accounting books is built in a one-sided reconciliation style and has the following form:

Table 3.3 : Format of T-account

NAME OF ACCOUNT.....

Date/ month/ year....

Doccuments		**Explaination**	**Reciprocal account**	**Amount of Money**	
No	**Date**			**DR**	**CR**
		Opening balance			
		Increased number of arisings during the period ... Add the number arising in the period			
		Closing balance			

In learning and research, accounting accounts are used simply according to the T-structure:

Dr	**Name of Account**	Cr
Reflection of the first movement	Reflection of the second movement	

The accounting account is divided into two distinct parts to reflect each aspect of the accounting object's activities. The left part of the accounting account reflects a moving side of the accounting object, which is conventionally called the Debit side. The right amount of the accounting account reflects the remaining opposing movement of the accounting object, which is conventionally called the Credit side. "Debit" and "Credit" are only conventions, not economic.

3.4.2.3. General structure of some major types of accounting accounts

Table 3.4 Types of accounting accounts

Group	**Account type**	**Nature**	**Number generated**
Assets	Account type 1	Current assets	Increase debit, decrease credit
	Account type 2	Long-term assets	
Owner's equity	Account type 3	Liabilities	Decrease debit, increase credit
	Account type 4	Equity	
Revenue	Account type 5	Revenue	Decrease debit, increase credit
	Account type 7	Other income	
Expenses	Account type 6	Cost of production & business	Increase debit, decrease credit
	Account type 8	Other expenses	
Income summary	Account type 9	Other expenses	
Type 0 accounts		Off-balance sheet accounts	

(Source: Author's compilation)

Accounts of type 1 and type 2: Assets

Debit/Dr	**Accounts of type 1 and type 2**
Credit/Cr	
Beginning balance	
Received	**Paid**
Total arising increased	**Total generation decreased**
Normal balance	

(Source: Author's compilation)

Asset groups 1 and 2 mean the asset accounts of the business.

Class 1 and 2 accounts are understood as short-term and long-term assets, respectively. This group of asset accounts reflects the value of assets owned by the business, including short-term investments and long-term assets.

An increase in Debit and a decrease in Credit are properties of type 1 and 2 accounts. There is a decrease in the credit side and an increase in the debit side. The opening and closing balances are recorded on the Debit side.

However, there are some cases where accounts 1 and 2 are bisexual. For example, account 131 and account 1388 are bisexual accounts with both a debit balance and a credit balance.

Accounts of type 3 and type 4: Owner's equity.

Type 3 and type 4 accounts are capital accounts; they have the function of recording liabilities and owners' equity. An increase in Credit, decrease in Debit are properties of type 3 and 4 accounts; the balance at the beginning and the end of the period are on the Credit side. The structure of accounts of types 3 and 4 is shown as follows:

Debit/Dr Credit/Cr	Accounts of type 3 and type 4
	Beginning balance
Paid	**Received**
Total generatio decreased	**Total arising increased**
	Normal balance

(Source: Author's compilation)

However, like accounts 1 and 2, there are exceptions to Accounts 3 and 4. Specifically, Account 331 and account 3388 are dual accounts, with both debit and credit balances.

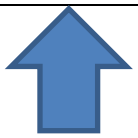
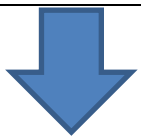
Accounts of type 5 and type 7: Revenue

The nature of this type of account is an increase in the credit side, a decrease in the debit side, and there is no ending balance.

Debit/Dr Credit/Cr	Accounts of type 5 and type 7
Paid	**Received**
Total generation decreased	**Total arising increased**
No normal balance	

(Source: Author's compilation)

Accounts of type 6 and type 8: Expenses

Debit/Dr **Credit/Cr**	**Accounts of type 6 and type 8**
Received 	 **Paid** Cost transfer results to determine business results.
Total arising increased	**Total generation decreased**
No normal balance	

(Source: Author's compilation)

Accounts 6 and 8 reflect expenses incurred during the period of the business. Properties of accounts type 6 and 8:

+ An increase is recorded on the Debit side.

+ A decrease is recorded on the Credit side.

+ There is no ending balance.

Account type 9: Income summary

Type 9 account is an intermediate account used to transfer revenue and expenses when determining business results at the end of the period.

The nature of a type 9 account is that expenses are recorded on the debit side, revenue is recorded on the credit side, and there is no ending balance.

Account type 0

Type 0 accounts are specified as off-balance-sheet accounts using the single-entry method. Accordingly, arisings are recorded only on the Debit or Credit side.

Adjustment account structure

The structure of the incrementally adjusted account is constructed similar to the design of the primary account that it regulates (the principle of resonance).

The down-adjusted account structure is constructed against the principal account structure it governs (the exclusion principle).

Example: Fixed Asset Depreciation Account.

The use of the Depreciation of fixed assets account is because the fixed asset account is the primary account that reflects fixed assets at cost. Due to the movement characteristics of fixed assets, the residual value of fixed assets decreases over time and is determined as follows:

The residual value of fixed assets	=	**Original cost of fixed assets**	-	**Accumulated depreciation**

Therefore, to reflect and provide information on both historical cost and a residual value of fixed assets, accountants need to use the Fixed asset depreciation account to make a downward adjustment for the fixed asset account. Account structure Depreciation of fixed assets is built as follows:

Debit/Dr **Depreciation of fixed assets**
Credit/Cr

	Beginning balance
Paid	**Received**
Total generation decreased	**Total arising increased**
	normal balance

(Source: Author's compilation)

3.4.3. How to record and reflect arising economic and financial transactions into accounting accounts.

3.4.3.1. Single - Entry

Single entry is a method of recording by which each is arising economic and financial transaction is recorded in a separate, independent accounting account, regardless of the relationship with other accounting accounts (only one party is debited). or the Credit side of the accounting account).

Recording invoices on accounting accounts is straightforward, easy, and less expensive. However, the single entry only reflects the increase and decrease of each accounting object separately but does not show the relationship between the accounting objects affected by economic operations. Therefore, applying can lead to the omission of much important information, making it difficult for the management and operation of the unit. The inspection and detection of errors in the accounting records are also limited.

Since slavery, Filing has been used in slave owners' farms, in churches, and money changers... Today, it is still used but only in a few places. Following cases:

a) Record arising economic and financial transactions in detailed accounting accounts.

b) Record arising economic and financial transactions in accounting accounts that reflect economic indicators other than the balance sheet.

c) Some accounting units are tiny in scale, simple in operation, and do not have the conditions to organize accounting work such as individual business households, cooperatives, etc., so they require management. Just make an entry into the accounting account. These accounting units open accounting books to monitor several primary accounting objects such as cash, receivables, payables, payables to the State Budget... Usually, these entities are not required to prepare financial statements. However, with the data of the single entry method combined with some additional information, it is still possible to prepare the Balance Sheet, Income Statement.

3.4.3.2. Double - Entry

(1) Basis and principle of double recording

Double entry is a way of recording in which each arising economic and financial transaction is simultaneously reflected in related accounting accounts according to the economic content of the transaction and the objective relationship between the two. accounting objects that the transaction affects.

When performing double recording, for each arising economic and financial transaction, the accountant must always simultaneously record in at least two (02) related accounting accounts, debit this account and simultaneously record There are other related accounting accounts, with the amount written to the Debit side of the accounting accounts always equal to the amount written to the Credit side of the accounting accounts.

Double recording is possible because accountants record the assets of the entity in relation to its source through the basic accounting equation:

ASSETS = LIABILTIES + OWNER'S EQUITY

Each arising economic and financial transaction always affects at least two specific accounting objects of the accounting equation, so the accountant must record in at least two (02) accounting accounts. The successive effects on specific accounting objects of each financial and economic transaction and the recording convention on accounting reports lead to the result that each monetary transaction when double-recording must be " Debit this accounting account, and at the same time credit another accounting account" with the amount of both Debit and Credit always equal. Based on this balance, accountants can check the accuracy of business data recorded on accounting accounts.

Nowadays, double recording is widely used and popular in most accounting units. Using dual recording helps to detect accounting errors in data recording and controls the accounting objects in the team, seeing the origin, transformation, and the relationship between accounting objects affected by transactions that cannot be performed in the recording. Records reflecting

economic transactions involving the accounting object are very closely related to each other, so it is possible to trace any changes in the past of an asset—liabilities, expenses, income... of the entity. The information provided by double accounting is complete, accurate, and valuable about the assets position, financial position, and business performance of the entity, using direct financial statement preparation from financial statements—accounting account. A double recording is much more complicated than a single recording, requiring professional training.

To avoid confusion and facilitate the division of accounting labor, double-recording, based on the information reflected on the accounting vouchers, determines debit and credit to accounting accounts. Related to a specific amount. That work is called bookkeeping or double entry. The accounting process can be divided into three (03) steps:

- Step 1: Identify the affected accounting objects and the increase or decrease of each of these objects due to the impact of economic and financial operations.

- Step 2: Determine the accounting account used to reflect the affected accounting object in step 1.

- Step 3: Determine to write to the Debit and Credit side of the relevant accounting accounts.

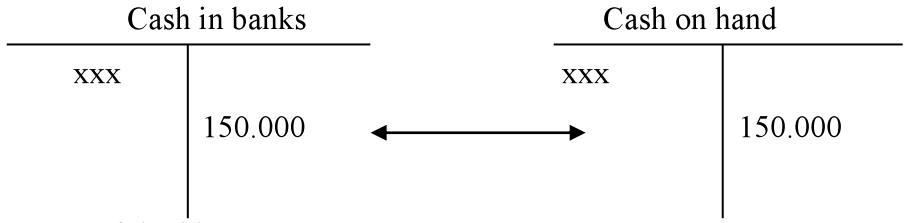
Example: Withdrawal from bank to cash fund: $ 150.000

When this economic transaction occurs, it affects cash and bank deposits, causing money to increase to $ 150,000,000 and, at the same time to decrease bank deposits to $ 150,000,000. This economic transaction is reflected in the bank deposit account and cash account. Based on the asset account structure, the following entries shall be recorded:

Debit Cash on hand: $150.000

Credit Cash in banks: $150.000

The above economic and financial transactions are recorded in the T-accounts as follows:



(2) Types of double entry

a) Classification of double-entry based on the number of general accounting accounts used.

The standard for classifying a double entry is the number of general accounting accounts used in a double entry.

According to this standard, double-entry is divided into two (02) types: simple entry and complex entry.

A simple entry is an entry related to only two (02) general accounting accounts and is written in the form:

Debit (Account Name) - Amount

Credit (Account Name) - Amount

Complex entries are related to at least three (03) general accounting accounts. Complex entries can occur in the following cases:

- Debit 1 account, credit many other accounts;

- Multiple Debit accounts, credit another account;

- Debit multiple accounts, credit many other accounts.

The essence of complex entries is the agglomeration of many simple entries; the purpose is to reduce the accounting workload.

b) Classification of double-entry based on the time of entry

The standard for this classification of double-entry is the timing of the double-entry. Accordingly, the double-entry is divided into the in-period entry and period-end entry.

Entry in the period: This entry is called a journal entry, which can be made daily or periodically based on accounting vouchers reflecting economic and financial transactions arising in the period.

Example: Cash out for advance payment to employees going on a business trip: $5.000

Based on the accounting vouchers, which are the payment slip and the advance request, the accountant shall make the following journal entries:

Debit Advances : 5.000

Credit Cash on hand: 5.000

Ending entry: This entry is usually made at the end of the accounting period before the financial statements are prepared. This entry type includes an adjustment entry and a carry forward entry (closed entry).

Adjusting entries are made at the end of the accounting period to comply with accounting principles such as accrual principle, matching principle, implementation principle ... accounting objects according to economic nature.

Adjusting entries always involve at least one account providing balance sheet data and one providing income statement data.

For example, entries for amortization of prepaid expenses, depreciation of fixed assets, allocation of unrealized revenue, recognition of accrual expenses, accrual revenue, recognition of payable costs...

Depreciation entries for fixed assets

Depreciation of a fixed asset is the systematic allocation of the total depreciable value of a fixed asset over its useful life.

The depreciating fixed assets are for consistent practice, not a revaluation process. Depreciation of fixed assets is similar to the allocation of prepaid expenses, so at the end of each relevant accounting period, the accountant must also make the following adjusting entries:

Debit: COSTS OF PRODUCTION & BUSINESS (group 6)

Credit: Depreciation of fixed assets

For example: On 2/1/N, Company X buys a fixed asset to use at the sales department and pays immediately by bank deposit for $ 400,000 the acquisition is expected to be used in 4 years, amortized Depreciated using the

straight-line method, the estimated liquidation value after four years of use is 0. The accounting year of Unit X ends on December 31.

The entry is dated 2/1/N as follows:

Debit: Tangible fixed assets: $400,000

Credit: Cash in banks : $400,000

The depreciation of fixed assets included in annual selling expenses N: 400,000 x1/4 = $100,000, which is recorded on 31/12/N as follows:

Debit: Selling expenses: 100,000

Credit: Depreciation of fixed assets: 100,000

Unrealized revenue allocation entry (revenue first, deferred revenue)

Unrealized revenue is the amount that has been collected in advance from a customer, but the accounting unit has not provided products, goods, services, and services... For example, House rental, property rental, money interest received before lending capital ... According to the principle of performance, revenue received in advance in a period is not eligible to be recognized as income of that period but must be recognized as a liability. Revenue received in advance will be gradually recognized into income corresponding to the part of products and services provided to customers. Income realized during the period is identified in the following entries:

Debit: Unrealized revenue

Credit: Income Account

For Example: On 12/22/N, Company X has a contract to lease the property for 60 days, from 12/22/N to the end of February 19/N+1, and has immediately received the entire total amount. The rental fee is $360.000 in bank deposits. The accounting year of entity X ends on December 31.

Journal entries on 12/22/N:

Debit : Cash in Banks: 360,000

Credit: Unrealized revenue: 360,000

The level of realized revenue included in sales and service provision in year N is 360,000 x 10/60 = 60,000, which is recorded in the following entries:

Debit of unearned revenue: $60,000

Account: Sales and service provision: $60,000

Accrued expense entries

These are expenses that have been incurred in the period but have not been paid and have not been recognized in the period. For example, salary expenses, interest expenses, property rental expenses ... incurred during the period but not yet paid. The recognition of accrual expenses ensures the accrual accounting principle and the matching principle. At the end of the accounting period, the following entries shall be recorded:

Debit: COSTS OF PRODUCTION & BUSINESS (group 6)

Credit: Relevant Accounts Payable

Example: In December/N, supermarket X has to pay sales staff a total amount: $200,000, which will be paid on 05/01/N+1

The entry for the recognition of salary expenses as of 31/12/N:

Debit: Selling expenses: 200,000

Credit: Payable to employees: 200,000

The entry for accrual revenue.

Accrued revenue is revenue realized in the period but not yet collected and not yet recognized in the period. For example, revenue from service provision, property rental, loan interest... has been realized but has not been recognized. Therefore, at the end of the accounting period, the books are recorded as follows:

Debts: Receivables related

Credit: Relevant Revenue account

Example**:** On October 1, Company X deposits $50,000 in a bank, with a term of 12 months, the interest rate is 12%/year, principal and interest are received one (01) times upon expiration. The accounting year of entity X ends on December 31.

By December 31st/N, the interest receivable (03 months) is determined as $1,500, accounting unit X will record financial income from past savings interest as follows:

Debits: Other Receivables: $1,500

Credit: Financial income: 1,500

Expense entry entry

Expenses payable are actual expenses that have not been incurred in the period, which are expected to be expected in the future, so accountants make a pre-recognition as operating expenses to avoid sudden fluctuations when this cost occurs. Therefore, at the end of the accounting period, accountants record the following entries in the journal entry:

Debit: COSTS OF PRODUCTION & BUSINESS

Credit: Payable expenses

Transfer entry (closed): This entry type is made in each accounting period to transfer data from temporary accounting accounts to real accounting accounts.

The purpose of the balance sheet entry is to calculate asset prices and determine the operating results of the accounting period.

Examples of some carryover entries:

- The final entry to transfer data on income accounts to the account determining operating results:

Debit: Related income

Credit: Income summary

- Closing entries to transfer data on accounts reflecting related expenses generating income to the income-determining account:

Debit: Income summary

Credit: Related Expenses

- The entry to transfer profit and loss on the account to determine the operating results to the undistributed profit account:

If profit is transferred:	If the loss is transferred:
Debit: Income summary	Debit: Undistributed profits after tax
Credit: Undistributed profits after tax	Credit: Income summary

Overview of double recording of some economic and financial transactions is presented in diagram 3.3

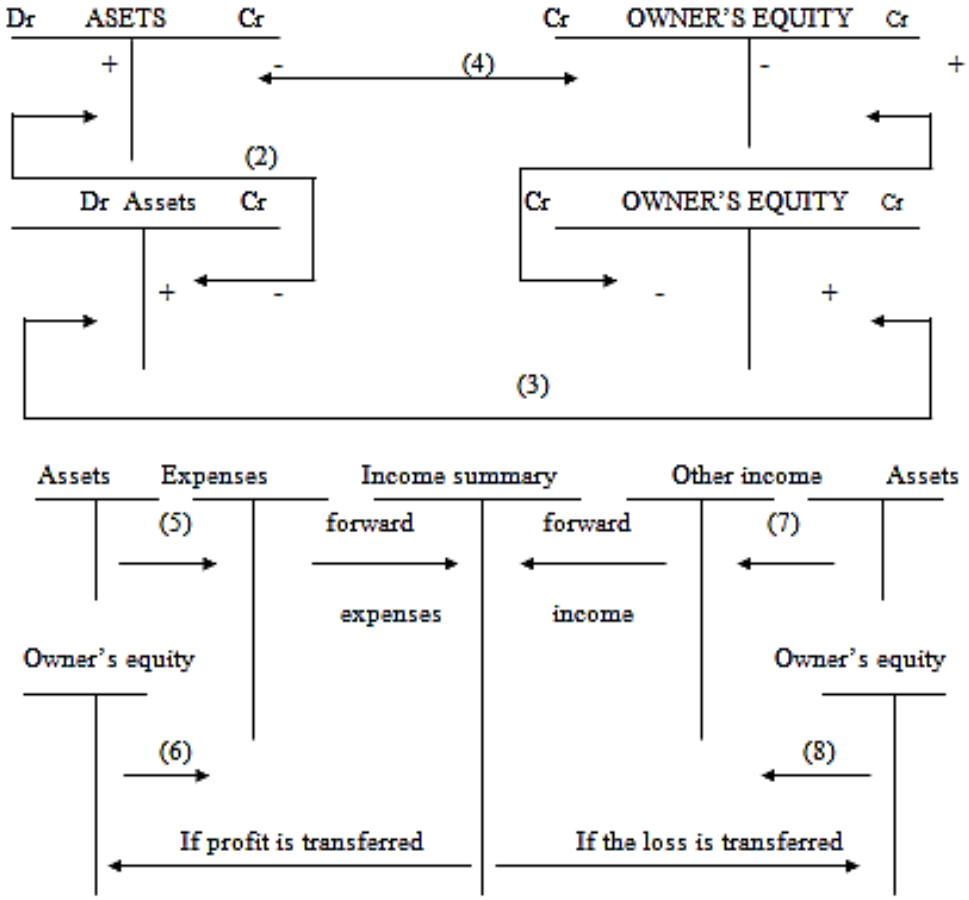


Figure 3.1: Double recording of some economic and financial transactions

3.4.3.3. Example:

Viet Tra company, January/N has the following accounting documents: (Unit:USD)

I. The opening balance of the accounting accounts is as follows:z

111. Cash on hand	200,000	214. Depreciation of fixed assets	1.000.000
112. Cash in banks	700.000	341. Borrowings and finance lease liabilities	2.000.000
141. Advances	20.000	334. Payables to employees	60.000

152. Raw materials	1.200.000	411. Owner's equity	6.200.000
211. Tangible fixed assets	7.300.000	331. Trade payables Include: Trade payables Linh Anh Trade payables Nguyên Hương	160.000 100.000 60.000

Other accounting accounts have zero balance or any balance.

II. The economic transactions arising in January/N are as follows:

1. Owner contributes additional capital in cash: $100,000

2. Cash out to bank account: $150,000

3. Purchase of an unpaid tangible fixed asset for Hai Long company: $500,000

4. Transfer money to the bank to pay debts to Minh Phu company: $300,000 and pay to Nguyen Huong company: $50,000

5. Cash paid to employees for the previous period: $60,000

6. Short-term loan to repay for Linh Xuan company: $200,000

Request:

1. Calculation and accounting of the above economic and financial transactions

2. Reflect the given documents into the general accounting accounts and detailed accounting accounts (detailed books) in the form of the letter T. Close the accounting books at the end of the period (the unit's accounting period by month)

Calculation and accounting of the above economic and financial transactions

1. Debit 111/ Credit 411: 100.000 2. Debit 112/ Credit 111: 150.000

3. Debit 211/ Credit 331: 500.000 (Hai Long Co: 500.000)

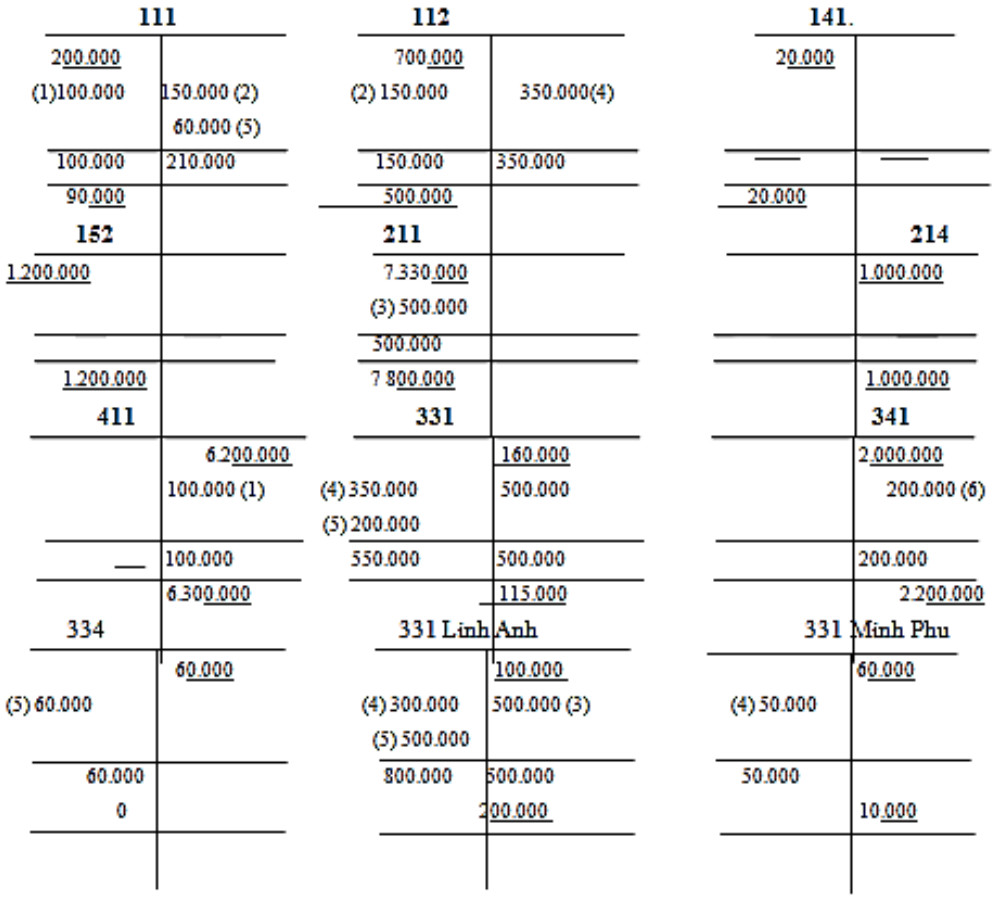
4. Debit 331: 350.000 (Hai Long Co: 3000.000; Minh Phu Co: 50.000)

Credit 112: 350.000

5. Debit 334/ Credit 111: 60.000

6. Debit 331/ Credit 341: 200.000 (Hai Long Co 331: 200.000)

Reflect the given documents into the general accounting accounts and detailed accounting accounts (detailed books) in the form of the letter T. Close the accounting books at the end of the period (the unit's accounting period by month).



3.4.4. Check and Reconciliation Data from the account

The accountant must check and compare the book entries to ensure that the data recorded and reflected on the accounting accounts are accurate. This work is usually done at the end of each accounting period, after closing accounting books, and before preparing financial statements.

3.4.4.1. Check and compare data recorded in general accounting accounts

To check the accuracy of the data recorded on the general accounting accounts, the accountants shall make a "Reconciliation table of arising numbers" (also known as the balance sheet of funds).

The balance sheet of arising numbers is a comparison list of all opening balances, occurring amounts in the period, and the ending balances of all general accounting accounts used in the period.

The structure of the generating comparison table is presented in Table 3.5

Table 3.5: Number comparison table template

Viet Tra Company:

Reconciliation table of arising numbers

January 01/N Unit: USD

Accounts	Opening Balance		Arising		Normal balance	
	Dr	Cr	Dr	Cr	Dr	Cr
1. Ac 111	200.000		100.000	210.000	90.000	
2. Ac 112	700.000		150.000	350.000	500.000	
3. Ac 141	20.000		-	-	20.000	
4. Ac 152	1.200.000		-	-	1.200.000	
5. Ac 211	7.300.000		500.000		7.800.000	
6. Ac 214		1.000.000	-	-		1.000.000
7. Ac 311		2.000.000	-	200.000		2.200.000
8. Ac 331		160.000	550.000	500.000		110.000
9. Ac 334		60.000	60.000	-		-
10. Ac 411		6.200.000	-	100.000		6.300.000
Total	**9.420.000**	**9.420.000**	**1.360.000**	**1.360.000**	**9.610.000**	**9.610.000**

The basis for compiling the arising balance sheet is the data recorded on the general accounting accounts used in the period (the opening balance, the added compensation in the period, and the ending balance).

The way to make a reconciliation table of arising numbers includes the following steps:

- List the names of the general accounting accounts used in the period of the unit in the column "Account Name" in a particular order.

- Take the opening balance, the plus number arising in the period, and the ending balance of each general accounting account to record in the appropriate rows and columns in the table.

- After listing all data of all general accounting accounts used, add the data by column and record it in the complete line at the end of the table.

Based on the data in the entire line at the end of the table to conduct the test. The data of the total row of the table must ensure the following balanced relationships:

- Total debt balance at the beginning of the period is equal to the total credit balance at the end.

- The total amount arising on the Debit side in the period is equal to the total appearing on the Credit side in the accounts period.

- Total balance of Debits at the end of the period is equal to the total balance of Credit at the end of the accounts period.

If the data in the whole line of the table does not guarantee a balanced relationship, it proves that the recordings on the general accounting accounts have errors and must be re-checked.

The data re-check can be based on each line of accounting accounts according to the following principles:

Opening balance + increase - decrease = Normal balance

The arising number reconciliation table is built to check and compare the data recorded on the general accounting accounts, ensuring the accuracy of the data before preparing the financial statements. However, using this table to check and compare data also has certain limitations. When the

accountants record the wrong account reciprocal relationship, the wrong amount of both Debit and Credit parties, the total line data will be the same. The addition of the table still ensures a balanced relationship, and accounting will not detect errors.

3.4.4.2. Check and compare data recorded into detailed accounting accounts

To check the accuracy of the recordings on detailed accounting accounts, accountants use the "Detailed table of arising numbers" (also known as the "Detailed summary sheet"). The detailed tables of arising numbers are usually made at the end of the accounting period according to each general accounting account with details opened.

The detailed table of arising numbers is a statement that compares the data recorded on the detailed accounting accounts with the corresponding general accounting accounts.

The detailed table of arising numbers, depending on each accounting object, can be built in the following form:

The sample of the detailed table of arising numbers reflecting the complex accounting objects measured by the value measure is presented in Table 3.4.

Table 3.6: Detail table of generated numbers

Company…

Detail table of generated numbers

Month…year… Unit:

Detailed object name	**Opening Balance**	**Arising**		**Normal balance**
		Dr	**Cr**	
Total				

(Source: Author's compilation)

The basis of detailed tabulation of arising numbers is taken from detailed accounting accounts (detailed books) belonging to a corresponding general accounting account.

How to make a detailed table of specific arising numbers includes the following steps:

- List the names of all detailed accounting objects belonging to a corresponding general accounting account.

- Take the opening balance, the plus number arising on the Debit side, the Credit side in the period, and the ending balance of each detailed accounting account (detailed book) to list in the appropriate rows and columns in the table.

- After listing all the data of the detailed accounting accounts under the general accounting account reflected on this table, proceed to add the data according to the amount column and record it in the total line at the bottom of the table.

Based on the total row data of the table to conduct checking and comparison. The data of this entire line must be consistent with the figures on the respective general accounting accounts of the opening balance, the plus number on the Debit side, the Credit side, and the ending balance at the end of the period. If the corresponding figures are not appropriate, the data recorded on the accounting accounts have errors; it is necessary to check and correct it to ensure that the accounting data is accurate, not incorrect—error calculation.

3.5. Balance accounting method

3.5.1. Content and meaning of Balance accounting method

The general method of balance accounting is used to generalize the situation of assets, capital sources, business results, and other economic relationships that are subject to accounting in terms of the nature and relationships of capital balance. have of the accounting object.

Due to the general nature of accounting information, the aggregated items must be expressed in monetary form.

Accounting balance is an inherent property associated with accounting objects. In accounting units, the balanced relationship of accounting objects includes two (02) types; overall balance relationship (general balance of many accounting objects) and partial balance relationship (separate balance of each specific accounting object).

The overall balance relationship is expressed through the following balance relationships:

The balanced relationship between the accounting objects that are assets and the source of asset formation:

ASSETS =S LIABILTIES + OWNER'S EQUITY

3.5.2. The principles to set up the finanicial statements

The accounting report reflects the economic and financial indicators on the operation process of the entity. To help synthesize data and provide economic indicators for those who need to use accounting information, accounting reports must be built with an appropriate structure, providing scientific and reasonableness. The forms of accounting reports must comply with certain principles when being constructed.

The form structure of accounting reports must be simple, reasonable, and convenient for recording and synthesizing data.

The accounting reports' economic and financial indicators system must be arranged in a particular order to ensure the scientificity in the balanced relationship of the accounting objects. Those economic indicators must be practical to provide necessary and convenient information for those who need to use accounting information.

3.5.3. Requirements when making financial statements

3.5.3.1 Requirements when preparing accounting reports

To ensure the provision of information to serve the requirements of economic and financial management, when making accounting reports, specific requirements must be met.

- The content and methods of calculating and synthesizing data for setting up the criteria in the accounting reports must ensure consistency and comparability. This requirement helps users of accounting information to check, analyze and adequately evaluate the implementation of the planned targets, the development situation of the unit, the synthesis of indicators by industry, sectors, and the entire national economy.

- The data of economic and financial indicators in the accounting reports must be reasonable, honest, and objective, accurately reflecting the actual situation of the entity, ensuring the reliability of accounting information. To ensure this requirement, accounting reports must be prepared and presented based on provisions of accounting standards, accounting regimes, and relevant current legal regulations.

- The data of the indicators in the accounting reports must be consistent, ensuring a balanced relationship between the accounting objects.

- The accounting reports must be made according to the issued model, prepared, and sent promptly according to the prescribed time limit.

3.5.3.2. Preparation work when making accounting reports

Before calculating and synthesizing data to ensure the above requirements, it is necessary to carry out the following preparations:

First, check the bookkeeping. This work ensures that the data in the accounting books reflect fully, accurately, and honestly by the actual operation of the unit, avoiding duplicates, omissions, incorrect data recording, and incorrect reflection of the situation. unit activities.

The second, complete the recording of accounting books, record, and transfer data between related accounting books, close accounting books, check and compare data between general accounting books between different accounting books. Data in the detailed accounting books with the data in the corresponding available accounting books.

Third, carry out an inventory of assets, adjust the figures on the accounting books to match the list results, and ensure a true reflection of the existing assets.

Fourth, prepare all necessary forms of accounting reports.

3.5.4. Balance sheet

3.5.4.1. Contents and structure of the balance sheet

A balance sheet is a financial statement that generally reflects the assets, liabilities, and owner's equity of an accounting entity at a point in time.

The items reflected on the Balance Sheet are those expressed by the measure of value, not measured by other measures.

Due to the duality of an asset, it always ensures the balance between assets and the source of asset formation at a time, so the balance between assets, liabilities, and owner's equity of the Balance Sheet is always balanced according to the following basic accounting equation:

Value of assets = Value of liabilities + Value of equity

The balance sheet always reflects assets, liabilities, and equity at a time, which could be the end of the accounting period. For example, year-end, quarter-end, or month-end can be different times, such as when the accounting unit goes bankrupt, dissolves, splits, merges, etc.

The balance sheet can be presented in the T-account format or the wrong format.

Examble: Table Balance Sheet (Appendix)

3.5.4.2. General method of preparing balance sheet

The items on the Balance Sheet are prepared based on balances of accounting accounts at the same time according to the following general principles:

For items of assets, to prepare based on the balance of accounts reflecting the accounting object as assets. For items of adjustment to decreasing assets

such as the depreciation of fixed assets, provisions for specific purchases, based on the balance of the respective accounts to record in related items. Accordingly, but recorded using the harmful number method.

For items reflecting payables, it is established based on the balances of the accounts that reflect the corresponding payable accounting objects.

For the items reflecting the source of equity, based on the balance of the accounts reflecting the accounting object is the corresponding source of equity. If the proportions of these accounts have a debit balance, they are still recorded in the equity section of the Balance Sheet but recorded using the harmful number method.

For items outside the balance sheet to record accordingly.

3.5.5. Income statement

3.5.5.1. Content and structure of statement of income

An income statement is a financial statement that reflects an accounting unit's income, expenses, and operating results in a particular accounting period.

Indicators reflected in the income statement are those in the form of a measure of value, not measured by other metrics.

The operating results for the period are determined by the difference between the income for the period and the expenses for that period:

Operating results for the period	=	**Income for the period**	-	**Expenses for the period**

The period's income and expenses are recognized on the accrual basis of accounting; the results of operations in the period are determined according to the matching principle between income and expenses in the same period.

The income statement can be presented in a single-level or multi-level form.

Example: Table Income statement (Appendix)

3.5.5.2. General method of preparing the income statement

The items on the income statement are prepared based on arising numbers of the accounts providing data for the preparation of these financial statements according to the following general principles:

For items related to income, based on arising numbers of accounting accounts reflecting income to make.

For costs-related items, they shall be established based on the arising number of accounting accounts reflecting expenses.

For the remaining indicators, based on the indicators reflecting income and related expenses to set up.

3.5.6. Cash Flow Statement

3.5.6.1. Definition

A Cash Flow Statement is a financial statement that provides information about economic transactions that affect the cash position of an Enterprise. The idea of cash flows is prepared based on cash receipts and expenditures, reflecting the formation and use of the amount of cash arising in the reporting period of the enterprise.

Cash flows during the period include cash capital and short-term investments that are considered cash equivalents.

Cash at the beginning of the period	+	**Cash received in the period**	=	**Cash spent in the period**	+	**Cash at the end of the period**

Cash at the beginning of the period + Cash received in the period = Cash spent in the period + Cash at the end.

The cash flow statement plays a vital role in providing relevant information to evaluate the ability of the business to generate Cash, showing the relationship between net profit and net cash flow, and analyzing the business's profitability. Solvency of the enterprise and predict the cash collection and payment plan for the next period.

Example: Table Statement of income (Appendix)

3.5.6.2. Methods of making a Cash Flow Statement

Currently, the statement of cash flows is prepared by two methods:

Direct method: cash inflows and outflows from operating activities are determined and presented in the view of cash flows by analyzing and summing up the cash inflows and outflows directly. Each content of revenue and expenditure from the enterprise's general and detailed accounting books.

Indirect method: cash inflows and outflows from operating activities are calculated and determined first by adjusting profit before corporate income tax. Simultaneously, the operating activities are not affected by non-cash items, changes during the period in inventories, receivables, and payables from operating activities, and things that affect cash. There is cash flow from investing activities.

3.5.7. Financial statement notes

Financial statement notes are the supplemental notes that are included with the published financial statements of a company. The notes are used to explain the assumptions used to prepare the numbers in the financial statements and the accounting policies adopted by the company. They help different users, such as financial analysts and investors, interpret all the numbers added to the financial statements.

When conducting an audit of the financial statements, the auditor thoroughly investigates all the information contained in the financial statements, including the notes to the financial statements. Auditors use the letters to determine if the accounting policies used are appropriate, properly applied, and reflected in the company's reported results.

The notes may also provide information on underlying issues relating to the company's overall financial health. The auditor bases his audit opinion on the financial statement numbers and the notes to the financial statements.

Example: Financial statement notes (Appendix)

3.6. Apply a system of accounting methods to accounting for business processes

3.6.1. Accounting for the purchase process

3.6.1.1. Purchasing process accounting tasks

The purchasing process is the first stage of production and business activities, ensuring that the unit's operation process proceeds regularly, continuously, and without interruption.

Specific tasks of the purchasing process:

+ Reflect, check and supervise the implementation of the purchase plan (materials and goods) in terms of types, quantity, quality, specifications, prices, and time.

+ To honestly reflect the supply situation in terms of amount and details according to each class, specification and quality of each type of material and goods.

+ Calculate fully, honestly, and promptly the actual price of each purchased object, and at the same time supervise in terms of price, cost, time of supply, handover, and payment of goods.

3.6.1.2. Applying accounting methods to the purchasing process

a. Accounting voucher method

To record all these economic and financial transactions, accountants use a system of accounting documents such as:

VAT invoice, freight bill (made by the seller and service provider), payment slip, advance payment slip, receipt...

The above accounting vouchers are organized and rotated scientifically and reasonably according to the management requirements of each specific accounting unit.

b. Pricing method

Merchandise is valued at cost at the purchase stage. Original prices of goods and supplies have been presented in section 3.3.2.

Note: If the purchase cost is related to many types of goods purchased simultaneously, it must be allocated according to the appropriate criteria.

$$\textbf{Transportation, loading and unloading costs allocated to supplies and goods A} = \frac{\textbf{Total costs of transportation and unloading}}{\textbf{Total number of distribution criteria units of all kinds of goods}} \times \textbf{Number of units of distribution criteria of supplies and goods A}$$

c. Method of accounting accounts

c1. Accounting for the purchase process (If the enterprise accounts for inventory by the standard declaration method, calculates VAT by the deduction method).

* *User account:* Account 152- Raw materials; 153- Tools and supplies; 156- Merchandise goods

+ *Content:* Reflects the situation of import, export, and inventory of raw materials.

+ *Texture:*

Debit/Dr **152,153,156** **Credit/Cr**

Beginning balance	
Received	**Paid**
Total arising increased	**Total generation decreased**
Normal balance	

(Source: Author's compilation)

Account 152- Goods in transit

Debit/Dr	**152,153,156**	**Credit/Cr**
Beginning balance		
Reflects the actual value of purchased goods that are going up in the period		Reflects the actual value of the goods purchased on the way, verified
Total arising increased		**Total generation decreased**
Normal balance		

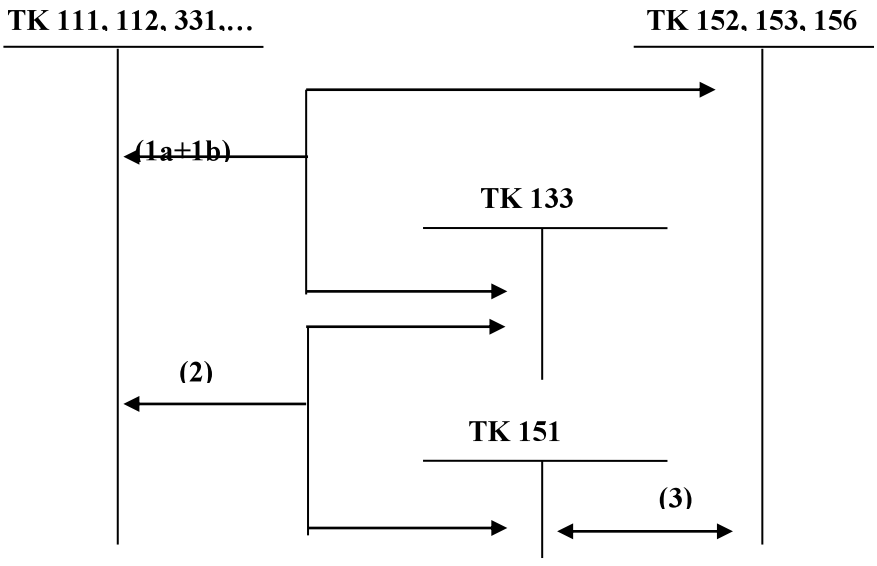
(Source: Author's compilation)

In addition, accountants also use several other related accounts such as Account 133, Account 331, Account 111, Account 112 ...

* *Accounting method:*

Flow chart of the purchasing process

(Applicable to enterprises that record their inventory according to the regular declaration method)



(1a): When purchasing supplies and goods for warehousing, the following accounts shall be recorded according to invoices and receipts:

Dr. 152,153,156

Dr.133 - Deductible VAT

Cr: 111,112,141 (paid)

Cr 331 (unpaid)

(1b): Cost of transportation, loading, unloading, storage, yard No. raw materials, tools and supplies, merchandise goods:

Dr. 152,153,156

Dr.133 - Deductible VAT (if any)

Cr: 111,112,141 (paid)

Cr 331- Trade payables (unpaid)

(2): For supplies and goods purchased but at the end of the period are still on the way:

Dr 151 - Goods in transit

Dr.133 - Deductible VAT

Cr: 111,112,331

(3): When purchased goods are on the way of the previous period, only this period will be stocked, the accountant will record:

Dr. 152,153,156

Cr 151 - Goods in transit

Example:

The situation of purchasing and warehousing of raw materials, Tool supplies at Enterprise X in May/N is as follows: (Unit: USD)

1. Purchase of primary materials without paying the Seller, the purchase price excluding tax is 100,000, the input VAT rate is 10%, the goods have been verified and imported.

2. The cost of transportation, loading, and unloading the above materials has been paid in cash 2,000 (without VAT).

3. Purchase of auxiliary materials and tools, the tax-exclusive purchase price is 60,000 (in which: additional materials 20,000, tools and tools 40,000), the value-added tax rate of 10%, the enterprise has already paid Seller's money is in bank deposit, at the end of the month these goods have not arrived yet.

4. Using cash to buy auxiliary materials, the purchase price excluding tax is 10,000, the value-added tax is 10%, the goods have been confirmed to be warehoused.

Requirements:

1. Set up accounting accounts for the above operations.

2. Reflect in the letter T Bank accounts, Value added tax is deducted, Goods purchased on the road, Raw materials.

Answer:

1. Set up accounting accounts (Unit: USD):

(1) Dr 152(1521) - Raw materials:	100,000	
Dr.133 - Deductible VAT	10,000	
Cr 331 - Trade Payable		110,000
(2) Dr. 152(1521) - Raw materials	2,000	
Cr 111 - Cash on hand		2,000
(3) Dr 151 - Goods in trasnit	60,000	
Dr.133 - Deductible VAT		6,000
Cr 112 - Cash on hand		66,000
(4) Dr 152(1522) - Raw materials	10,000	
Dr.133 - Deductible VAT		1,000
Cr 111 - Cash on hand		11,000

2. Reflect on the letter T

Dr	112	Cr
	100.000	
		66.000 (3)
Σ	0	66.000
	34.000	

Dr	152	Cr
	200.000	
(1)	100.000	
(2)	2.000	
Σ	102.000	0
	302.000	

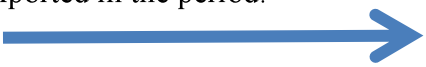
Dr	133	Cr
	200.000	
(1)	10.000	
(2)	6.000	
Σ	16.000	0
	216.000	

Dr	151	Cr
	150.000	
(2)	60.000	
Σ	60.000	0
	210.000	

c2. Accounting for the purchase process (If the enterprise accounts for inventory by the periodic inventory method, calculates value-added tax by the deduction method).

Account 611- Puchases

Debit/Dr	**Account 611- Puchases**	**Credit/Cr**
- Carrying forward the actual value of raw materials, goods, tools in inventory at the beginning of the period.		- Carrying forward the value of raw materials, goods, tools, and supplies in inventory at the end of the period (according to inventory).

- Actual value of raw materials, goods, tools purchased during the period. - Value of returned goods sold.	- Transferring the value of goods in transit at the end of the period. - Carry forward the actual value of raw materials, goods, tools, and instruments exported in the period.  - Actual value of materials, Goods, Tools returned to the seller.

(Source: Author's compilation)

Account 152- Raw materials

Debit/Dr	**Account 152- Raw materials**	**Credit/Cr**
Transfer of actual value of Raw materials at the end of the period. Normal balance: Value of inventory at the end of the period		Actual cost of materials in stock at the beginning of the period

(Source: Author's compilation)

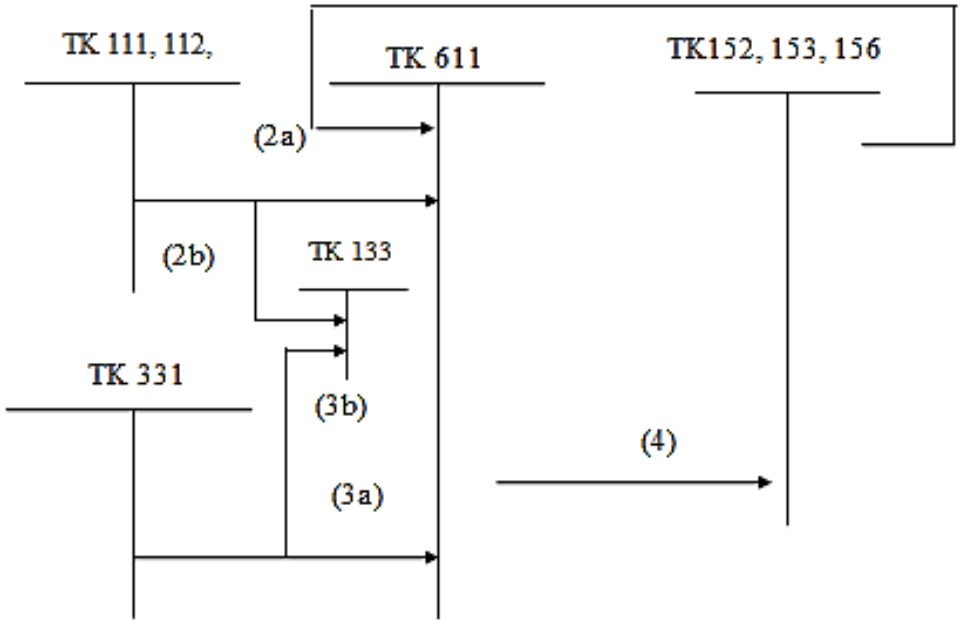
An accounts 153,151: Similar in structure to account 152

In addition, accountants also use some other relevant accounts such as Account 133, Account 331, Account 141, Account 111...

** Accounting method:*

Flow chart of the purchasing process

(Applicable to enterprises accounting for inventory by the periodic inventory method)



(1): At the beginning of the period, when the value of materials and goods in stock at the beginning of the accounting period is transferred, the following accounts shall be recorded:

Dr 611 - Purchases

Cr: 152, 153, 156

(2a): Purchase of supplies and goods, paid the seller in cash, cash in banks, or advance, the following accounts shall be recorded:

Dr 611 - Purchases

Dr.133 - Deductible VAT

Cr 111, 112, 141

(2b): Cost of transportation, loading, unloading, storage, yard paid in cash, deposit, advance:

Dr 611- Purchases

Dr.133- Deductible VAT

Cr 111, 112, 141

(3a): Purchase of materials and goods without payment to the seller:

Dr 611- Purchases

Dr.133- Deductible VAT

Cr 331-Trade payables

(3b): Cost of transportation, loading, and unloading, yard... not yet paid to the carrier:

Dr 611- Purchases

Dr.133- Deductible VAT

Cr 331- Trade payables

(4): At the end of the period, based on the results of an inventory of materials and goods in stock at the end of the period.

Dr. 152, 153, 156

Cr. 611 - Purchases

Example

Thanh Hoa Company in February/N, there are accounting documents as follows: (Unit: USD)

Opening balance:

Account 152:12,000; Account 156: 18,600

Other accounts have zero balance or any balance.

During the period, the following economic transactions occurred:

1. Purchase material A at the tax-exclusive purchase price of 20,000; the VAT rate is 10%, paid in cash in banks.

2. Buy goods B at the tax-exclusive purchase price of 30,000, the VAT rate is 10%, the enterprise has not yet paid the seller.

3. The cost of transporting material A and goods B is 500, VAT rate 10%, paid in cash.

4. At the end of the period, based on the inventory minutes, the ending inventory of materials is 12,500; the ending list is 25,400

Indicate: Enterprises account for inventories by the periodic inventory method, and VAT is calculated by the deduction method.

Request:

1. Calculate and allocate transportation costs for material A and goods B.

2. Set up accounting accounts for the above operations.

Answer

1/ Allocate shipping costs to A and B

Shipping costs are allocated to:

$$\text{Raw materials A} = \frac{5000}{20.000 + 30.000} x 20.000 = 200$$

Merchandise goods = 500-200=300

2/ Set up accounting accounts for arising economic transactions

At the beginning of the closing period, the value of goods and materials in stock at the beginning of the period is transferred:

Dr. 611- Purchase	30,600	
Cr 152 - Raw materials		12,000
Cr 156 - Merchandise goods		18,600

During the period, the following transactions occurred:

1. Dr 611- Purchase	20,000	
Dr.133- Deductible VAT	2,000	
Cr. 112- Cash in banks		22,000
2. Dr 611- Purchase	30,000	
Dr.133- Deductible VAT	3,000	
Cr 331- Trade payables		33,000
3. Drt 611- Purchase	500	
Dr.133- Deductible VAT		50
Cr 111- Cash on hand		550

4. Dr 152 - Raw materials		12,500
Dr 156 - Merchandise goods	25,400	
Cr 611- Purchase		37,900

3.6.2. Accounting for the production process

3.6.2.1. Production process accounting duties

- Reflect, check, evaluate and supervise the implementation of the product production plan in terms of quality, quantity, type, time... to ensure good product production.

- Calculating, summarizing fully and timely accurately the costs related to the production of products by each object.

- Accurately and accurately calculate and promptly determine the production cost of finished products in the period.

3.6.2.2. Apply accounting methods to the production process

a. Accounting voucher method

To reflect the expenses incurred in production and the results of production activities, accounting documents are used such as warehouse release note, warehouse receipt note, product confirmation note or completed work, salary payment table, salary allocation table and social insurance, table of depreciation allocation fixed assets inventory sheet of finished products, etc.

b. Pricing method.

* The price object of the production stage includes production costs and production costs

$$\mathbf{Z = Cdk + C - Cck}$$

Inside:

Z: Production cost

Cdk: Cost of production in progress at the beginning of the period

C: Production costs incurred in the period

Cck: Cost in progress at the end of the period

Manufacturing costs include direct materials, direct labor, and manufacturing overhead

The cost of direct materials is determined as follows:

Cost of direct materials actually used in the period	=	Value of unused raw materials in the previous period until carried forward to this period	+	Value of raw materials put into use during the period	-	Value of remaining raw materials Unused at the end of the period	-	Value of recovered scrap (if any)

The following methods may calculate the cost of raw materials used in the period: the nominal cost method, FIFO method; LIFO method; average way.

Direct labor and manufacturing overhead are aggregated for each product category by either the direct aggregation method or the indirect aggregation method.

The direct aggregation method is applied in cases where production costs are incurred related to a particular type of product. Expenses incurred in connection with any product are collected directly for that product.

The indirect aggregation method is applied in cases where production costs are incurred related to many types of products; the price must be allocated according to appropriate criteria.

c. Method of accounting accounts

(c1). We are accounting for the production process in the enterprise, accounting for inventories by the standard declaration method, and VAT calculation by the deduction method.

The accounts used to account for the manufacturing process:

- Direct raw materials costs
- Direct labor costs
- Production overheads
- Production cost
- Work in progress
- Other relevant accounts

Dr	**621 "Direct raw materials costs"**	Cr
Aggregate costs of exported raw materials used to manufacture products		Transfer and allocate raw materials costs to account for 154.

Dr	**622 "Direct labour costs"**	Cr
Aggregate direct labor costs incurred during the period		Transfer and allocate labor costs directly to Account 154

Dr	**627 "Production overheads"**	Cr
Aggregate production costs in the period: + Factory staff costs (6271) + Material costs, Tools and instruments (6272; 6273) + Fixed asset depreciation(6274) + Outside services (6277)		Transfer and allocate general production costs to account 154

Dr	**TK 154 "Work in progress"**	Có
Aggregate production costs in the period: + Factory staff costs (6271) + Material costs, Tools and instruments (6272; 6273) + Fixed asset depreciation(6274) + Outside services (6277)		Consolidation of production and business costs in progress at the beginning of the period Transfer and allocate general production costs to account 154

Besides, accountants also use some other related accounts such as Account 334, 338, 111, 112...

** Accounting method:*

(1a): Discharge of raw materials used directly for manufacturing products

Dr 621- Direct raw material costs

Cr: 152, 153

(1b): Raw materials purchased and exported directly for the production of products without going through the warehouse:

Dr621 - Direct raw material costs

Dr.133 - Deductible VAT

Cr: 111, 112 (Paid)

Cr: 331 (Unpaid)

(2a): Calculation of salary and salary deductions such as KPC, social insurance, health insurance, unemployment insurance payable to direct production workers:

Dr 622 - Direct labor costs

Cr 334 - Payables to employees

Cr 338 (3382, 3383, 3384, 3389)

(2b): Calculation of wages and salary deductions payable to workshop managers:

Dr 627 - Production overheads

Cr 334 - Payables to employees

Cr 338 (3382, 3383, 3384, 3389)

(2c): Cash out, Cash in bank to pay salaries and salary deductions for employees:

Dr 334 - Payables to employees

Dr338 - Other payables

Cr 111, 112

(3): Export of raw materials, Tools and supplies used for production management (one-time allocation type):

Dr627- Production overheads

Cr: 152, 153

(4a): Export the allocation type Tools and supplies multiple times:

Dr. 142, 242

Cr: 153

(4b): At the same time, allocate the value of Tools and supplies to production and business expenses in the period:

Dr 627 - Production overheads

Cr 142, 242

Subsequent periods continue to allocate the value of Tools and supplies to production and business expenses and record the entries in the same way as in the journal entry (4b).

(5): Depreciation of fixed assets used for production:

Dr 627 - Production overheads

Cr 214 - Depreciation of fixed assets

(6): Other expenses in cash or purchased from outside (electricity, water, etc.) or outsourced to serve the production workshop:

Dr627 - Production overheads

Dr.133 - Deductible VAT

Cr 111, 112, 331

(7): At the end of the period, the cost of direct materials is transferred:

Dr 154 - Work in progress

Cr 621- Direct raw material costs

(8): At the end of the period, direct labor costs are transferred:

Dr 154 - Unfinished business expenses

Cr 622 - Direct labor costs

(9): At the end of the period, the general production costs are transferred:

Dr 154 - Work in progres

Cr 627 - Production overheads

(10): Enter finished product inventory:

Dr155 - Finished goods

Cr 154 - Work in progres

(11): Finished products sold directly without going through the warehouse:

Dr632 - Cost of goods sold

Cr 154 - Work in progres

(12): Finished products are sent for sale without going through the warehouse:

Dr.157 - Outward goods on consignment

Cr 154 - Work in progres

Note **Z = Cdk + C - Cck**

Unit cost = Z/ NFP (Number of finished products)

Example:

TNG Company, in April/N, the following documents are available (Unit: USD):

1. Exporting materials A used for direct manufacturing of product X, the inventory value is $1,800,000

2. Exporting material B for direct manufacturing of product Y, the value of inventory is $600,000

3. Exporting material C for general production, the value of ex-warehousing is $100,000

4. Calculation of wages payable to:

- Workers directly producing product X: $200,000

- Workers directly producing product Y: $150,000

- Workshop manager: $50,000

5. Excerpt from Social Insurance, Health Insurance, Trade Union Fund, Unemployment Insurance according to the current prescribed rate, calculated into expenses.

6. Depreciation of fixed assets for production is $40,000

7. Expenses for electricity, water, phone calls in cash (including 10% value-added tax) is $33,000

8. At the end of the month, stockpile 200 Products X, 250 Finished Products Y

Requirements: Calculating and accounting for arising economic transactions.

1	Dr 621(X)	1.800.000	
	Cr TK 152(A)		1.800.000
2	DR 621(Y)	600.000	
	Cr 152(B)		600.000
3	Dr 627	100.000	
	Cr 152(C)		100.000
4	Dr 622 (Pr X:200.000, Pr Y: 150.000)	350.000	
	Cr 627		50.000
	Cr 334		400.000
5	Dr 622 (Pr X:38.000, Pr Y: 8.500)	80.500	
	Dr 627	11.500	
	Cr 338		92.000
6	Dr 627	40.000	
	Cr 214		40.000
7	Dr 627	30.000	

	Dr 133	3.000	
	Cr 111		33.000
8	a/ Dr 154 (Pr X : 2.038.000, Pr Y : 778.500)	2.816.500	
	Cr 622		416.500
	Cr 621		2.400.000
	Dr154(Pr X : 336.857, Pr Y : 252.643)	589.500	
	Cr 627		589.500
9	Dr 155(Pr X:2.374.857, PrY:1.031.143)	3.406.000	
	Cr 154(Pr X:2.374.857, Pr Y:1.031.143)		3.406.000

c2). Accounting for the production process at the enterprise (in the case of inventory accounting using the periodic inventory method) calculates VAT by the deduction method:

** Proof of use:*

- Material inventory record
- .....

** User account:*

TK154 - Work in progress

Debit balance: Business in progress at the beginning of the period (end of period)

Debit: At the end of the period, the cost of production in progress is transferred from Account 631 to

Credit side: At the beginning of the period, unfinished business expenses are transferred to account 631

Account 631- Production cost

Debit:

- Transferring the cost of production in progress at the beginning of the period from account 154.

- At the end of the period, the costs of Direct raw material costs, Direct Labor costs, and Production overheads.

Credit:

- Transfer the number of finished products in the period to account 632 - Cost of goods sold

- Transferring production and business expenses at the end of the period to account for 154

*** Accounting method**:

(1) Carrying forward the cost of production in progress at the beginning of the period:

Dr 631 - Production cost

Cr 154 - Work in progress

(2) At the end of the period, based on the results of the inventory of the remaining materials at the end of the period, the accountants calculate the actual value of the materials and goods used directly for the manufacture of products:

Dr 621- Direct raw materials costs

Cr 611- Purchase

Actual cost of consumables	=	**Actual cost of beginning materials inventory**	+	**Actual cost of imported supplies during the period**	-	**Actual ending inventory value**

(3) Purchased raw materials for direct use without going through the warehouse:

Dr621- Direct raw material costs

Dr.133- Deductible VAT

Cr: 111, 112, 331

(4a) Calculation of wages and salary deductions of direct production workers and workshop managers:

Dr.622, 627

Cr 334, 338

(4b) Using cash to pay wages and pay deductions based on wages for direct production workers and workshop managers:

Dr. 334, 338

Cr 111

(5) At the end of the period, based on the results of the inventory of tools and equipment left at the end of the period, calculate the actual value of Tools and supplies for the one-time allocation type production workshop.

Dr 627- Production overheads

Cr 611 - Purchases

(7) Raw materials, tools and supplies purchased directly for the management of the workshop without going through the warehouse:

Dr 627

Dr. 133

Cr 111, 112, 331

(8) Depreciation of fixed assets used for production

Dr 627- Production overheads

Cr 214- Depreciation of fixed assets

(9) Other expenses in cash, costs of services purchased or outsourced for workshop management:

Dr 627- Production overheads

Cr 133 (if any)

Cr: 111, 112, 331

(10) At the end of the period, the cost of direct materials is transferred:

Dr 631- Production cost

Cr 621- Direct raw materials costs

(11) At the end of the closing period, direct labor costs are transferred:

Dr 631- Production cost

Cr 622- Direct labor costs

(12) At the end of the period, the general production costs are transferred:

Dr 631- Production cost

Cr 621- Direct raw materials costs

(13) At the end of the period, the inventory and evaluation of work in progress at the end of the period shall record:

Dr 154- Work in progress

Cr TK631- Production cost

(14) Finished products in stock:

$$\mathbf{Z = Cdk + C + Cck}$$

Dr 632- Cost of goods sold

Cr 631- Production costs

d. General method - the balance of accounting

The synthesis of data is done on the accounting reports: the production cost report by factor, the main product cost report, the comparable product cost report, and all products.

Example:

Thanh Nguyen Company specializes in manufacturing 1 type of product A, in October/N has the following data:

I. Opening balance of account 154: $15,000

II. In the month, there are arising economic transactions as follows:

1. Actual value of materials used to manufacture product A is 70,000,000 VND

In which: + Main materials: $65,000

+ Additional materials: $5,000

2. Salary payable to direct production workers VND 30,000,000 VND for workshop management staff $5,000

3. Deducting Social insurance, Health insurance, Trade union fees, and unemployment insurance according to the current prescribed rate

4. Other general production costs incurred in the month:

- Material costs: $4,000

- Tools and instruments: $4,500

- Fixed asset depreciation : $8,000

- The cost of electricity and water purchased outside the VAT-exclusive price is: $2,000 - 10% value-added tax rate, paid in cash.

5. In the month of completion of production, 1,000 products are stocked, and 200 unfinished products are valued at $20,000 respectively.

Requirements: Calculate and account for the above economic transactions.

1	Dr 621	70.000
	Cr 611	70.000
2	Dr 622	30.000
	Dr TK 627	5.000
	Cr 334	35.000
3	Dr 622	6.900
	Dr 627	1.150
	Cr 338	8.050
4	Dr 627	18.500
	Cr133	200

	Cr 611	8.500
	Cr 214	8.000
	Cr 111	2.200

5 Z_{spA} = 150.000 + 130.150.000 - 20.000.000= 125.150.000

z_{spA} = 125.150.000 / 1000 = 125.150(USD/Pr)

	Dr 632	125.150
	Cr TK 631	125.150

3.6.3. Sales process accounting

3.6.3.1. Sales process accounting duties

Selling transfers ownership of finished goods and goods from the seller to the buyer, and the buyer pays or accepts to pay.

Check and reflect on implementing the unit's sales plan in terms of type, quantity, quality, price of goods sold, payment term.

Calculating, summarizing, and allocating correctly and accurately selling expenses, General administration expenses of goods sold in the period. Correctly calculating the cost of goods sold, taxes payable to the State, sales revenue to save costs and improve profits.

3.6.3.2. Applying accounting methods to the sales process

a. Accounting voucher method

Usage vouchers

- Delivery bill
- Certificate
- Receipts
- Bill ...

b. Pricing method.

The price object of the sales period includes revenue, expenses, and sales results.

Sales results for the period	=	**Net sales for the period**	-	**Cost of goods sold during the period**

Include:

Net sales realized during the period	=	**Total sales of goods in the period**	-	**Adjustments to decrease in sales**

The cost of goods sold is determined on the basis of the original cost determined by the following formula:

The original cost of goods sold in the period	=	Original cost of goods sold in the period	+	Selling expenses amortized to goods sold in the period	+	General administrative expenses allocated to goods sold during the period

The original value of goods sold for sale in the period is calculated by the nominal price method, the average Method, the first-in-first-out Method, the last-in-first-out Method.

c. Method of accounting accounts

* The accounts used to record the sales process:

Account 155 - Finished goods

Debit: Actual value of imported finished products

Credit: Actual value of finished goods exported

Average balance: Actual value of finished goods in stock at the beginning and end of the period.

Account 157 - Outward goods on consignment

Debit: Cost of goods sold during the period

Credit: Cost of goods sent for sale accepted or refused to be returned by the buyer.

Average balance: Cost of goods sold at the beginning and end of the period.

Account 632 - Cost of goods sold

Debit: Cost of goods sold during the period

Credit:

+ Carrying forward the cost of goods sold in the period

+ Transfer of returned cost of goods sold

This account has no balance

Account 511- Revenues

Debir:

+ Amounts that reduce revenue (trade discounts, sales discounts, sales returns, excise tax, value-added tax applied by the direct method).

+ Carry forward net income to the number of goods sold in the period

Credit: Total revenue from sales and service provision

This account has no balance

Account 515 - Returned goods

Debit: The payable value-added tax amount calculated by the direct method (if any); Transfer net financial income to account 911- Income summary.

Credit: Revenues from financial activities arising in the period

This account has no balance

Account 521 - Returned deductions

Debit:

+ Trade discounts accepted for payment to customers.

+ Sales discounts approved for shoppers

+ Turnover of returned goods, returned to the buyer or deducted from the receivable from customers for the number of products and goods sold.

Credit: At the end of the accounting period, transfer all trade discounts, sales discounts, and sales of returned goods to account 511 to determine the net revenue of the reporting period.

This account has no balance

Account 641 - Selling expenses

Debit: Collection of selling expenses incurred in the period

Credit: Transfer of selling costs to Account 911 - Income summary

This account has no balance

Account 642 - General administration expenses

Debit: Collection of corporate management expenses incurred in the period

Credit: Transfer General administration expenses to Account 911 to determine Business results

This account has no balance

Account 911 - Income summary

Debit:

+ Transfer of cost of goods sold

+ Transfer of selling expenses

+ Transfer of General administration expenses

+ Transfer of financial expenses, other expenses

+ Profit transfer

Credit:

+ Net revenue transfer

+ Loss transition

This account has no balance

Account 421 - Undistributed profit after tax

Debit:

+ Losses from business activities

+ Setting up enterprise funds such as investment and development fund, financial reserve fund...

Credit:

+ Profits from business activities

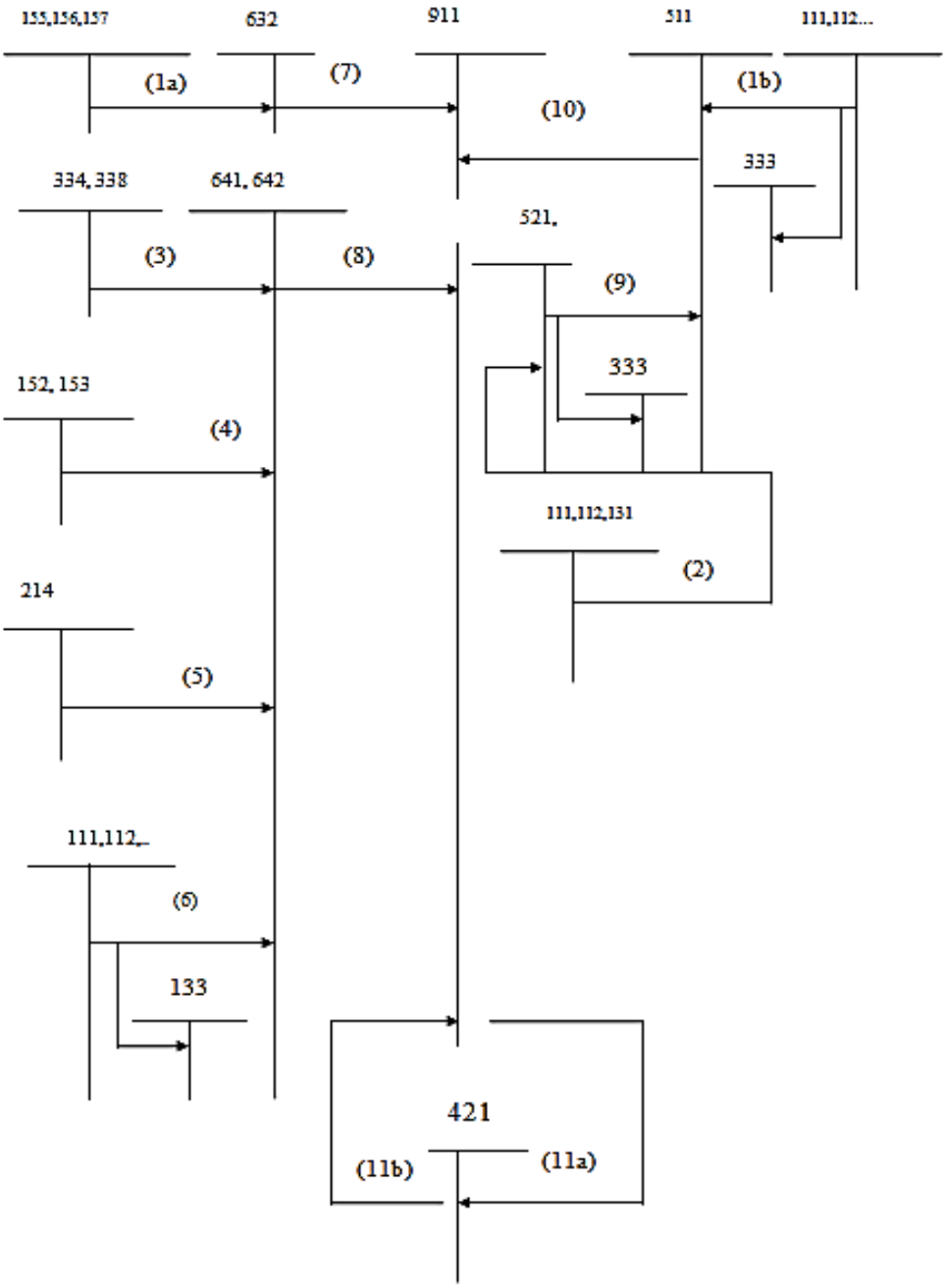
+ Handling losses

Debit balance: Unresolved loss

Credit balance: Undistributed profit

**Accounting methods for several key economic transactions are illustrated in the following diagram:*

Sales process accounting chart.



(1a) Unloading finished products for sale:

Dr 632- Cost of goods sold

Cr 155, 156, 157 (according to actual production cost)

(1b) Number of finished goods sold and paid by customers in cash, cash in banks, or accepted to pay:

Dr 111, 112 (paid)

Dr. 131 (unpaid)

Cr 511

Cr 3331- Value Added Tax (VAT)

(2) Generate trade discounts, sales discounts, sales returns:

Dr 5211 - Sales discounts

Dr 5212 - Sales returns

Dr.5213 - Sales allowances

Dr.333(33311 - Value Added Tax (VAT)

Cr 111, 112, 131

(3) Calculating salary and deductions on salary of sales staff, business management staff:

Dr.641- Selling expenses

Dr.642- General administration expenses

Cr 334, 338

(4): Exporting raw materials, tools and supplies to serve sales and business management

Dr.641- Selling expenses

Dr.642- General administration expenses

Cr TK152, 153

(5): Depreciation of fixed assets used for sales and business management:

Dr.641, 642

Cr 214- Depreciation of fixed assets

(6): Expenses for services purchased from outside, other expenses in cash for sales and business management:

Dr.641, 642

Cr 133 (if any)

Cr 111, 112, 331

(7): At the end of the closing period, cost of goods sold:

Dr911- Income summary

Cr 632- Cost of goods sold

(8): At the end of the closing period, selling and administrative expenses will be transferred:

Dr 911- Income summary

Cr 641, 642

(9): At the end of the period, trade discounts, sales returns, and sales discounts are used to determine net revenue:

Dr 511

Cr 521

(10): At the end of the period, net sales are carried forward:

Net Revenue = Revenue from sales and service provision - Sales deductions

Dr 511, 515

Cr 911- Income summary

Income summary = Revenue-(Costs of goods sold+ Selling expenses+ General administration expenses)>0 Profit

Income summary = Revenue-(Costs of goods sold+ Selling expenses+ General administration expenses)<0 Loss

(11a): Profit carryover:

Dr911- Income summary

Cr 421- Undistributed profit after tax

(11b): Loss carryover:

Dr 421- Undistributed profit after tax

Cr911- Income summary

d. General method - the balance of accounting

Accountants synthesize documents from accounting accounts (accounting books) reflecting expenses and income to make a statement of business results, providing general information on the situation and results of goods sales in the enterprise's period and period.

Exmaple:

At Hoang Long company, May/N has the following documents:

I. Opening balance of some accounts is as follows: (unit: USD)

Ac 155- Finished goods		300.000
Ac 131- Trade receivables		50.000
Inside : + Trade receivables	A: 30.000	
+ Trade receivables	B: 20.000	
Ac 111- Cash on hand		100.000
Ac 112- Cash in banks		500.000
Ac 421- Undistributed profit after ta (Credit)		250.000

Other accounts with any balance or zero balance

II. Economic transactions arising in the month:

1. When finished products are shipped out for sale, the actual production cost of finished products is 100,000. The selling price of the above product is $150,000. Company A has not paid for the goods, Deductible VAT 10%.

2. The cost of transporting, preserving, loading, and unloading products for sale is $4,000 in cash

3. While inspecting the warehouse, company A discovered that the quality of the goods was not guaranteed, so it asked enterprise X to reduce the price. Therefore, enterprise X agrees to reduce the selling price by 2%.

4. Collection of General administration expenses:

- The salary payable to officers and employees of the enterprise management division is $30,000

- Deducting social insurance, health insurance, trade union fees, unemployment insurance according to the current prescribed rate

- Depreciation of fixed assets $4,000

- Other expenses in cash: $2,000

5. Transfer Net revenue and cost of goods sold

6. Transfer of selling and administrative expenses

7. Income summary.

Requirements: Calculating, accounting for the above economic transactions

Answer:

1a	Dr 632- Costs of goods sold	100.000	
	Cr 155- Finished goods		100.000
1b	Dr TK131- Trade receivables (A -Compay)	165.000	
	Cr TK511- Revenue		150.000
	Cr TK3331- Value Added Tax (VAT)		15.000
2	Dr 641- Selling expenses	4.000	
	Cr TK111- Cash on hand		4.000
3	Dr 511- Revenue	3.000	
	Cr 5213- Sales allowances (150.000 x 2%)		3.000
4	Dr 642- General administration expenses	41.700	
	Cr 334- Payables to employees		30.000
	Cr 338- Other payables		5.700
	Cr 214- Depreciation of fixed assets		4.000
	Cr 111- Cash on hand		2.000
5a	Net revenue = 150.000 - 3.000 = 147.000		

	Transfer Net revenue:		
	Dr 511- Revenue	147.000	
	Cr 911- Income Summary		147.000
5b	Transfer Costs of goods sold:		
	Dr 911- Income Summar	100.000	
	Cr 632- Costs of goods sold		100.000
6a	Transfer selling expenses:		
	Dr 911- Income Summar	400.000	
	Có TK641- Selling expenses		400.000
6b	Transfer general administration expenses		
	Nợ TK911- Income Summar	15.520	
	Có TK642- general administration		15.520
7	expenses		
	Income Summar:		
	911 = 511 - (632 + 641 + 642)		
	= 147.000 - (100.000 + 4.000 + 41.700)		
	= 1.300 (lãi)		
	Nợ TK911- Income Summar	1.300	
	Có TK421 - Undistributed profit after tax		1.300

SUMMARY

Accounting methods are methods and measures used to collect, process, and provide information about assets, asset fluctuations, and economic and financial activities to meet requirements. Management demand. The system of accounting methods includes four methods: costing method, accounting voucher method, accounting account method, and general accounting balance method; each method is independent but relative to each other. are in reciprocal

relationships. Without any method, accountants cannot perform their tasks and purposes of providing information:

+ Derived from the definition of accounting is to provide information for the construction of general financial statements to provide information for decision-making. Accountants need to apply the available method of accounting balance.

+ To have aggregate data for financial statements, accountants must record the movement of working capital into accounts and accounting books according to their functional reciprocal relationships. using the account standard method.

+ To determine the value of working capital and the value of transactions affecting the entity's capital, accountants must use the cost method.

+ To conduct the price calculation, the accountant must have authentic evidence to prove the completed transactions, so the accountant must use the accounting voucher method.

PRACTICE EXERCISES

A. Questions:

1. Content and meaning of the accounting voucher method.

2. Content and meaning of the pricing method.

3. Content and meaning of the accounting account method.

4. What is the entry into the accounting account? List the use cases of a single entry. Give an illustrative example.

5. What is the basis and principle of double recording?. Give an illustrative example of dual recording.

6. What is a detailed table of generated numbers? Structure, how to set up, check, and the effect of the detailed table of generated numbers.

7. Content and meaning of the method of synthesis - balance?

8. Content and structure of the report on business results

B. Multiple choice

1.1. Accounting terms: "Debt of cash account / Having accounts receivable from customers" shows the following economic contents:

a). Advances to sellers

b). The customer pays the debt in cash.

c). Cashback to customers

d). None of the answers are correct.

1.2. The operation "Buying a truck to transport goods, paid 50% by bank transfer" will change the assets and capital of the business:

a). Assets increase - Assets decrease.

b). Declining assets - Reduced capital.

c). Increase in assets - Increase in capital

d). None of the answers are correct.

1.3. The operation "Complete providing services to customers, have not received payment yet" will change the assets and capital of the enterprise:

a). Capital increases - Assets increase.

b). Capital increases - Capital decreases.

c). Reduced capital - Decreased assets

d). None of the answers are correct.

1.4. Information reflected on an account reflects the following principles:

a). Always write increase on the Credit side, decrease Debit side and have a balance on the Credit side.

b). Usually write increase on the Credit side, decrease Debit side, and have a balance on Credit side

c). Always write increase on Debit side, decrease Credit side, and have a balance on Debit side.

d). Usually write increase on Debit side, decrease Credit side and have a balance on Debit side.

1.5. Operation: "Buying and importing goods, not paying the seller" will make the assets and capital of the business change:

a). Assets increase, capital resources decrease.

b). Assets increased, liabilities increased.

c). Assets increase, capital sources increase.

d). None of the answers are correct

C. Exercise

Exercise 1

DO IT	**Normal Acount Balances**
Action Plan	
✔ Determine the types of accounts needed. Hoa will need asset accounts for each type of asset she invests in the business and liability accounts for any debts she incurs.	Hoa Nguyen has just rented space in a shopping mall. In this space, she will open a hair salon called "Hair It Is." A friend has advised Kate to set up a double-entry set of accounting records to record all of her business transactions. Identify the balance sheet accounts Hoa will likely need to record the transactions required to open her business. Indicate whether the average balance of each performance is a debit or a credit.
✔ Understand the types of owner's equity accounts. Only Owner's Capital will be needed when Hoa begins the business. Other owner's equity accounts will be required later.	**Solution** Hoa would likely need the following accounts in which to record the transactions necessary to ready her hair salon for opening day: Cash (debit balance) — If she borrows money: Equipment (debit balance) — Notes Payable (credit balance) Supplies (debit balance) — Owner's Capital (credit balance) Accounts Payable (credit balance)

Exercise 2: At Bac Thai company, January/N has the following accounting documents: (Unit:USD)

I. The opening balance of the accounting accounts is as follows:

111. Cash on hand	300.000	214. Depreciation of fixed assets	1.500.000
112. Cash in banks	1050.000	341.Borrowings and finance lease liabilities	3.000.000
141. Advances	30.000	334. Payables to employees	90.000
152. Raw materials	1.800.000	411. Owner's equity	9.300.000
211. Tangible fixed assets	10.950.000	331. Trade payables Inside: Trade payables Linh Anh Trade payables Nguyên Hương	240.000 150.000 90.000

Other accounting accounts have zero balance or any balance.

II. The economic transactions arising in January/N are as follows:

1. Owner contributes additional capital in cash: $150,000

2. Cash out to bank account: $225,000

3. Purchase of an unpaid tangible fixed asset for Linh Anh company: $750,000

4. Transfer money to the bank to pay debts to Linh Anh company: $450,000 and pay to Nguyen Huong company: $75,000

5. Cash paid to employees for the previous period: $90,000

6. Short-term loan to repay for Linh Xuan company: $300,000

Request:

1. Calculation and accounting of the above economic and financial transactions

2. Reflect the given documents into the general accounting accounts and detailed accounting accounts (detailed books) in the form of the letter T. Close the accounting books at the end of the period (the unit's accounting period by month)

Exercise 3: At Thai Nguyen Enterprise in February/N, the following accounting documents are available: (Unit: USD)

Opening balance:

Account 152:18,000; Account 156: 27,900

Other accounts have zero balance or any balance.

During the period, the following economic transactions occurred:

1. Purchase material A at the tax-exclusive purchase price of 30,000, the value-added tax rate of 10%, paid by cash in the bank.

2. Buy goods B at the tax-exclusive purchase price of 45,000; the value-added tax rate is 10%. The enterprise has not yet paid the seller.

3. The cost of transporting material A and goods B is 750, the value-added tax rate of 10%, paid cash on hand.

4. At the end of the period, based on the inventory minutes, the ending inventory of materials is 18,750; the ending list is 38,100.

Indicate: Enterprises account for inventory by the periodic inventory method, and value-added tax is calculated by the deduction method.

Request:

1. Calculate and allocate transportation costs for material A and goods B.

2. Set up accounting accounts for the above operations.

Exercise 4: At Viet Tra enterprise, May/N has the following documents:

I. Opening balance of some Accounts is as follows: (Unit: USD)

1.	TK155- Finished goods	540.000
2.	TK131- Trade receivables	90.000
	Trong đó: + Receivables of company A: 54.000	
	+ Receivables of company A B: 36.000	
3.	TK111- Cash on hand	180.000
4.	TK112- Cash in banks	900.000
5.	TK421- Undistributed profit after tax (surplus - profitable)	450.000

Other Accounts with any balance or zero balance

II. Economic transactions arising in the month:

1. When finished products are shipped out for sale, the actual production cost of finished products is 180,000. The selling price of the above product is 270,000; company A has not paid for the goods, the value-added tax rate is 10%.

2. Cost of transporting, preserving, loading, and unloading products to be sold cash on hand 7,200

3. While inspecting the warehouse, company A discovered that the quality of the goods was not guaranteed, so it asked Thai An enterprise to reduce the price. Therefore, Thai, An enterprise, agreed to reduce 2% of the selling price.

4. Collection of enterprise management expenses:

- The salary payable to officers and employees of the enterprise management department is 54,000 VND

- Excerpts from Social Insurance, Health Insurance, Trade Union Fund, Unemployment Insurance at the rate of current regulations

- Depreciation of fixed assets 7.200

- Other expenses in cash: 3.600

5. Net revenue and cost of goods sold

6. Transferring selling and administrative expenses

7. Determine the sales results in the period.

Requirements: Calculating and accounting for the above economic transactions

CHAPTER 4:
ACCOUNTING LEGAL SYSTEM

Tutorials

To do well in this lesson, students need to refer to the following learning methods:

+ Follow the weekly course schedule, complete the exercises and participate in discussion on the forum.

Read documents:

Textbook

1. Accounting legal framework in Vietnam being applied in 2020: Law on accounting: No. 88/2015/QH13 Issued on November 20, 2015, effective January 1, 2017 Regulations on the content of accounting work accountants, accountants, accounting service businesses, state management of accounting and professional organizations in accounting

2. Accounting standards (VAS01-VAS30; Circular 210/2009/TT-BTC - Guidelines for applying international accounting standards on presentation of financial statements and disclosures for financial instruments.

3. Accounting mode:

+ Corporate accounting system: No. 200/2014/TT-BTC. Guiding the bookkeeping, preparation, and presentation of financial statements for enterprises of all fields and economic sectors.

+ Accounting regime for small and medium enterprises: No. 133/2016/TT-BTC. Guidelines on principles of bookkeeping, preparation, and presentation of financial statements of small and medium-sized enterprises.

+ Accounting system for micro-enterprises, No. 132/2018/TT-BTC. Guidance on making accounting books, making and presenting financial statements of micro-enterprises

+ Accounting regime applied to deposit insurance in Vietnam, No. 177/2015/TT-BTC. Regulations on accounting accounts, accounting principles, structure and contents of accounting accounts, accounting methods, bookkeeping, preparation and presentation of financial statements of Deposit Insurance Vietnam

+ Administrative and career accounting regime, No. 107/2017/TT-BTC. Guide the list of forms and methods of making compulsory accounting vouchers; list of account systems and accounting methods; list of book models and methods of making accounting books; list of report templates and techniques of producing and presenting financial statements, budget settlement reports for administrative and non-business units

4. Accounting system in Philipines, Timor Les-te, Laos.

5. The system of international accounting standards (IAS International Accounting Standards) for the private sector (private sector), the system of international public accounting standards (IPSAS), the system of international accounting standards International Financial Reporting Standards (IFRS)...

+ Work in groups and communicate with instructors directly in the classroom or via email.

+ Course Web site.

Abstract: Chapter 4 introduces the elements of the national accounting legal system and the Vietnamese accounting legal system; The legal accounting system of the Philippines, Timor Les-te, Laos; International Accounting Standards.

Study Objectives:

LLO1: Understand the necessity of setting up the legal system**.**

LLO2: Understand the Vietnamese accounting standards.

LLO3: Understand the meaning of the accounting system in Philipines, Timor Les-te, Laos.

LLO4: Apply the International accounting standards.

Thereby applying it to answer the questions and do the exercises at the end of the chapter.

Introductory situation

During the years of teaching at the department, we encountered many interesting questions such as:

Dear Teacher, I heard that after studying Accounting, it is not necessary to work as an accountant in businesses, but I can do many positions related to accounting, right?

I salute you, Teacher. I am very interested in Accounting and want to pursue one of the international accounting certifications of international professional organizations such as ACCA, CAT, CFAB… Could you tell me if there is a program in Accounting at the school? Is there a joint training program for these certificates for students while still in school?...

Accounting is a diverse profession with many different fields. It can be divided into four primary areas of accounting: finance, management, auditing, and tax. Because of the diversity of this field, Accounting is a major that offers a lot of opportunities for students after graduation.

In addition to working as an accountant in an enterprise, I can fully pursue other fields such as auditing, tax consulting, financial consulting, banking...

Currently, the Faculty of Accounting has affiliated programs with Platinum-standard international certification training organizations such as Vietsourcing, AFA, FTMS, etc., opening short courses and organizing seminars. Introduction and consultation on certifications such as ACCA, CAT, CFAB, CIMA, CIA...

Source: Answers to questions related to Accounting,
University of Economics - Technology for Industries, Hanoi

4.1. The neccessary of setting up the accounting legal system

The establishment of an accounting legal system is an inevitable trend of countries worldwide to limit subjectivity and promote the active role of accounting in economic management.

The subjective characteristics of accounting, created by the influence of management entities, are the root of conflicts of interest arising in using accounting as an economic management tool.

An established legal accounting system is a management tool for accounting activities to adjust accounting activities to the right trajectory and create unified accounting practices to ensure legal validity and reliability for accounting information, protecting the interests of information users.

From the perspective of approaching accounting as a profession, the accounting legal system is built on taking into account the elements of the accounting profession.

From the perspective of accounting as a science, the legal accounting system is built based on accounting theory.

From the perspective of approaching accounting as a tool of economic and financial management, the legal accounting system is built in close relationship with monetary policy and tax policy. The practical basis of the legal accounting system is the reality of developing the economy and accounting units in each period.

4.2. Factors affecting the national accounting legal system

The legal system in the accounting field is also influenced by various factors such as the country's regulatory system, the development of the stock market, the joint-stock company, the nature of the single ownership accounting position, level of economic growth, and inflation, tax policy.

- The regulatory legal system of a country is a factor affecting the legal accounting system.

- The stock market is a factor affecting the development of a country's legal accounting system.

Accounting units that want to conduct capital transactions through the stock market must meet accounting information requirements. As a result, the more the stock market develops, the more issues of accounting law, accounting standards, and accounting policies and regimes need to be ensured to provide a consistent and straightforward financial reporting system. Management for the users of accounting information is investors.

- The formation and development of joint-stock companies is a factor affecting the accounting legal system.

With the characteristics of separate ownership of control and management, it is one of the factors affecting the accounting legal system in the regulation of responsibility and disclosure of accounting information. Liabilities for a joint-stock company are limited to the owners' investment; the legal system needs to provide information to assess the solvency of the joint-stock company.

- The ownership nature of the accounting unit also affects the legal system of accounting. This factor involves the public disclosure of accounting information.

- Economic growth affects the accounting legal system. This factor affects the new type of economic and financial transactions that arise.

- Inflation is one of the factors affecting the legal accounting system.

- Tax is an essential factor affecting the legal accounting system of each country. The influence of tax law on the accounting legal system mainly concerns determining financial results.

4.3. The elements in the accounting legal system

4.3.1. Accounting law

Accounting Law: Is the highest legal document promulgated by the National Assembly or an equivalent body such as the Senate. The accounting law prescribes general principles that underlie the specific provisions of national accounting standards and accounting regimes.

Accounting Law is the most effective legal document in the accounting legal system, expressing the will of the State in the management of accounting

activities in the units. The provisions in the accounting law are general to all types of accounting units and create a basic legal framework that regulates accounting activities in all aspects: scientific, professional, and management tools. Economy. Accounting law is the basis for building accounting standards and regimes.

4.3.2. General accounting accepted principles

Figure 4.1 : General accounting accepted principles

GAAP is the acronym for generally accepted accounting principles. GAAP consists of the following:

- Basic underlying accounting principles, assumptions, and concepts such as the cost principle, matching principle, entire disclosure principle, etc.

- Detailed reporting standards and other rules established and organized by the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (FASB ASC)

- Generally accepted industry practices

GAAP combines authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP aims to improve the clarity, consistency, and comparability of the communication of financial information.

GAAP helps govern the world of accounting according to general rules and guidelines. It attempts to standardize and regulate the definitions, assumptions, and methods used in accounting across all industries. GAAP covers revenue recognition, balance sheet classification, and materiality.

4.3.3. Accounting system

The accounting regime prescribes and guides specific accounting contents and methods with particular characteristics in some fields or business lines and specific accounting types units. The accounting regime has a specific division into each specific area, industry, and kind of unit and mainly includes:

+ The contents of the system of accounting vouchers.

+ The method of accounting accounts.

+ The process of accounting books.

And financial reporting system. In countries with developed market economies, accounting regimes are often issued by accounting and auditing organizations.

4.4. International accounting standards

Accounting standards (AS) are general policy files. The primary objective is to ensure transparency, reliability, consistency, and comparability of the monetary statements. So, the transactions of all companies will probably be recorded in an identical method if they follow these accounting standards.

Accounting specifications most commonly focus on four main problems of accounting, particularly

1. Realization of economic activities

2. Size of fiscal transactions

3. Presentation of financial statements in a reasonable manner

4. Disclosure requirement of companies to ensure stakeholders aren't misinformed

4.4.1. International Accounting Standards

International Accounting Standards (IAS) include the accounting standards issued by the International Accounting Standards Board (IASB); this is an independent international standard-setting body based in London. The IAS was replaced in 2001 by International Financial Reporting Standards (IFRS).

International accounting is a subset of accounting that considers international accounting standards when balancing books. International Accounting Standards (IAS) were the first international accounting standards issued by the International Accounting Standards Committee (IASC), formed in 1973. As it remains today, the goal was to make it easier to compare businesses around the world, increase transparency and trust in financial reporting, and foster global trade and investment. Globally comparable accounting standards promote transparency, accountability, and efficiency in financial markets worldwide. This enables investors and other market participants to make informed economic decisions about investment opportunities and risks and improves capital allocation. Universal standards also significantly reduce reporting and regulatory costs, especially for companies with international operations and subsidiaries in multiple countries.

Until recently, the International Accounting Standards (IAS) were created and issued by the Board of the International Accounting Standards Committee (IASC). These standards were put in place to advise companies to report financial events in a financial statement. In 2001, a new set of criteria was developed, and these new standards are referred to as the IFRS

4.4.2. International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) set standard rules so that financial statements can be consistent, transparent, and comparable worldwide. IFRS are issued by the International Accounting Standards Board (IASB).

IFRS was established to create a common accounting language so that businesses and their financial statements can be consistent and reliable from company to company and country to country.

Standard IFRS includes:

Statement of Financial Position: This is also known as a balance sheet. IFRS influences how the components of a balance sheet are reported.

Statement of Comprehensive Income: This can take one word, or it can be separated into a profit and loss statement and a view of other income, including property and equipment.

Statement of Changes in Equity: A statement of retained earnings this documents the company's change in revenues or profit for the given financial period.

Statement of Cash Flows: This report summarizes the company's financial transactions in the given period, separating cash flow into Operations, Investing, and Financing.

4.5. Vietnamese accounting legal system

4.5.1. Vietnamese accounting law

The Vietnamese Accounting Law is promulgated by the National Assembly of the Socialist Republic of Vietnam. This is the highest legal document governing all accounting activities of all economical sectors and all areas of accounting-related activities.

The Scope of regulation of the Law on Accounting includes: The contents of accounting work; Organization of the accounting apparatus; Accountants and accountants.

The objects of application of the Law are: State agencies; Non-business units, organizations and enterprises of all economic sectors established and operating in Vietnam; Accountants and other people related to accounting.

The structure of the Law on Accounting of Vietnam includes 7 chapters and 64 articles, including:

(1) General provisions, such as Scope of regulation; Subjects of application of the Law; Tasks, requirements, principles, and objects of

accountants; Units, letters, and numbers used in accounting; Accounting period; Types of accountants…

(2) Regulations on the contents of accounting work, including regulations on: Accounting vouchers; Accounting accounts and accounting books; Financial report; Inventory of assets, preservation and archiving of accounting documents; Accounting work in case the accounting unit splits, merges, merges, transforms the form of ownership, dissolves, terminates its operation or goes bankrupt.

(3) Regulations on the accounting apparatus and accountants; standards, conditions, and rights of chief accountants …

(4) Regulations on professional accounting activities, such as Accounting professions and accounting practice certificates; And hired as an accountant, chief accountant ...

(5) Regulations on State management of accounting: regulations on State management of accounting and state management agencies.

(6) Regulations on reward and handling of violations.

(7) Terms of Implementation provisions.

4.5.2. Vietnamesse accounting standards

The Vietnamese accounting standard system is researched, drafted, and promulgated by the Ministry of Finance. Vietnamese Accounting Standards are regulations and guidelines on the most basic and general principles, contents, methods, and procedures of auditing, which serve as the basis for accounting records and preparation of financial statements to achieve an honest, objective, and reasonable assessment of the financial status and business results of the enterprise. The Vietnamese accounting standard system is built based on selectively applying the provisions of the international accounting standards announced by the International Accounting Standards Committee (IASC), and at the same time in line with the requirements of the International Accounting Standards Board (IASC). Vietnam's current market economy development and future development trends, in line with Vietnam's legal system and financial and tax policies, have achieved a relatively high degree of harmony and

similarity, compared with the international accounting standard system and both content and form of presentation.

The structure of Vietnamese accounting standards is usually designed with the following parts:

(1) General: the purpose of the standard; the scope of application of the standard; explain the terms used in the middle.

(2) Standard contents: regulations on accounting principles, valuation, recognition, accounting methods, presentation of financial statements, etc.

Generally accepted accounting principles in Vietnamese accounting are called "Basic accounting principles" and are specified in the Vietnamese accounting standard system (Standard 01- General Standard).

4.5.3. Vietnamese Accounting system

The Vietnamese accounting system is compiled and promulgated by the Ministry of Finance. The Vietnamese accounting regime is the specific guiding regulations on accounting vouchers, accounting accounts, accounting books, and financial statements in particular fields, business lines, and accounting units. Specific. The Vietnamese accounting system is built based on the promulgated system of Vietnamese accounting standards, including specific regulations on the content, form (forms), methods, and calculation techniques. Accounting, recording, accounting methods and activities, operations, transactions, setting targets on activities, processes, transactions, procedures of setting targets on financial statements ... specific sectors and industries.

Constituting the Vietnamese accounting system usually includes four essential parts:

- System of accounting vouchers;
- System of accounting accounts;
- System of accounting books;
- Financial reporting system.

(1) System of accounting vouchers: The system of accounting vouchers is a constituent part of the system of accounting regimes. The accounting

voucher system includes specific regulations and instructions on: Types of vouchers (compulsory vouchers and guiding documents); List of documents; printing and issuance of vouchers; the establishment and rotation; use, manage, preserve and store accounting vouchers ...

(2) System of accounting accounts: The system of accounting accounts is an essential and indispensable part of the system of accounting regimes. The accounting account system includes specific regulations and instructions on the accounting accounts (account types, names, and particular accounts), content, structure, principles, and methods. Method of accounting for significant transactions related to each specific accounting account.

(3) Accounting book system: It is an integral part of the Vietnamese accounting system, including regulations and guidelines on the accounting book system applicable to accounting units such as system entries of accounting books (general and detailed books); compulsory restrictions on book form, contents, and recording method for available books and diary books; guiding regulations for detailed books and other accounting books; regulations on management and use of accounting books; specific regulations on opening books, recording accounting books, correcting errors, closing books, preserving and storing accounting books...

(4) Financial reporting system: Also an integral part of Vietnam's accounting system, including regulations on financial reporting system applicable to accounting units such as the purpose of financial reporting; Contents of the financial reporting system; Responsibilities, deadlines for making and sending financial statements; Financial reporting form system; Content, structure, basis, and method of calculating and setting each item on financial statements.

4.5.4. Material Differences Between Vietnamese Accounting Standards (VAS) and International Accounting Standards (IFRS)

Form

Compared with VAS accounting standards, IAS is not imposed in terms of forms such as account system (Chart of Account), reporting form

(Accounting form), accounting book form (Ledgers). IAS/IFRS mostly do not prescribe accounting forms. Moreover, enterprises using IAS/IFRS are free to use the accounting system and accounting forms that are suitable and convenient with the characteristics of the business. For example, companies applying VAS cash will have an account number of 111, while businesses applying IAS/IFRS can freely set a number for this account.

The IAS also provides a conceptual framework, and there is a very high degree of consistency between the standards. On the contrary, VAS still has many unclear issues, lack of a framework for defining, and consistency among accounting standards.

Chart of Accounts

IAS/IFRS only regulates the form of financial statements according to IAS 1, not the accounting account system. Enterprises are allowed to create their accounting system better to suit the requirements of financial statements and management reports.

A critical account system for businesses is sometimes detrimental to foreign enterprises in Vietnam because businesses often face difficulties in conversion and reduce the consistency between companies in the country. Same corporation.

Basic Accounting Standards

VAS currently has no regulations allowing assets and liabilities to be revalued at their fair value at the reporting time. The absence of relevant standards impairs the truthfulness and reasonableness of the Financial Statements and is inconsistent with IAS/IFRS.

VAS 21 and IAS 01**:** VAS stipulates that financial statements are not required to have an idea of changes in equity as standard IAS 01. Thus, according to IAS, we have five components: Statement of Financial Position, Statement of Comprehensive Income, Statement of Cashflow, Statement of Changes in Equity, and Notes to Financial Statements. While VAS has four components, the statement of changes in equity alone will be considered part of the notes to the financial statements.

VAS 03 only allows revaluation of fixed assets such as real estate, factories, and equipment in case of a decision of the State, bringing the assets to contribute capital to joint ventures, associations, splits, or mergers. Business and the annual loss of support are not recognized. In contrast, under IAS 16, companies can revalue assets at market prices and determine the yearly loss of assets. At the same time, the enterprise is allowed to record this part of the loss by the provisions of IAS 36.

VAS 11 stipulates that goodwill is amortized over a period not exceeding ten years from the acquisition in a business combination. Meanwhile, IFRS 03 stipulates that enterprises must assess the value of lost goodwill.

International Accounting Standards (IFRS) do not have equivalent Vietnamese Accounting Standards (VAS):

Although the Vietnamese Accounting Standards (VAS) are prepared based on the framework of International Accounting Standards (IAS/IFRS), VAS has only 26 standards. At the same time, there are 41 IAS standards and 16 IFRS standards. Thus, VAS will not have accounting standards equivalent to IAS/ IFRS. As follows:

International Accounting Standards on Financial Statement Presentation and Related Matters

IFRS 01**:** First application of International Financial Reporting Standards (the general rule is to apply retroactively all IFRS standards that were in effect at the time of application, with some exceptions and exemptions) allow).

IFRS 07: Notes on financial instruments to help users of financial statements evaluate the importance of financial instruments to the financial position and results of operations of the entity and to assess the nature and extent of the financial instruments. Of risks arising from financial instruments and the way of risk management of the entity (IFRS 7 and Circular 210/2009/TT-BTC have similar contents. The notes required by Circular 210 are not very informative to the reader as VAS does not deal with the recognition and measurement of financial instruments and provides guidance on fair value).

Accounting standards for items on the income statement and the statement of financial position/balance sheet

IAS 19: Regulations on accounting and presentation of employee benefits including short-term, long-term benefits, severance pay;

IAS 20: Regulations for the accounting and presentation of grants and other forms of Government funding;

IAS 32: Presentation of financial instruments (Circular No. 210/2009/TT-BTC requiring enterprises to apply the provisions of IAS 32 and IFRS 7 on presentation and disclosure of financial instruments from 2011);

IAS 39: Establishing principles for the recognition, derecognition, and valuation of financial assets and financial liabilities (replaced by IFRS 9, effective January 1, 2018);

IFRS 09: Regulations on recognition and derecognition requirements, classification and measurement of financial assets and financial liabilities, impairment of general hedging accounting (effective in force from January 1, 2018);

IFRS 14: Statutory deferrals (effective January 1, 2016).

Industry or activity-specific accounting standards

IAS 26, 41, 06: Industry- or performance-specific standards, including accounting and reporting for pension funds, agribusiness, and mineral resource exploration and evaluation.

Accounting Standards for Specific Events or Transactions

IAS 29, 36, 02, 15: Specific event or transaction standards: Financial reporting under hyperinflation, asset loss, stock-based settlement, or asset holdings for sale intermittently.

Accounting standards for measurement: IFRS 13: Measuring fair value

Accounting Standards for Consolidation, Subsidiary or Consolidation of Other Entities

IAS 27: Accounting method for investments in subsidiaries, joint ventures, and associates in separate financial statements;

IFRS 12**:** Disclosures of benefits from other entities so that we can assess the nature and risks associated with the entity's interest in other entities and the effect of these interests on the financial position, the results of operations and cash flows of the entity (the presentation of goods in subsidiaries, joint ventures and associates is governed by VAS 25, 08 and 07).

4.5.5. Accounting system in: Philipines, Timor Les-te, Laos

An accounting system is a set of accounting processes with integrated procedures and controls. An accounting system intends to record business transactions, summarize those transactions into an aggregated form, and create reports that decision-makers can use to monitor, analyze, and improve operations. *Philipines accounting system*

The accounting system of the Philippines is strongly influenced by the US and, more recently, by international practices. The governing legislative and institutional framework is comprehensive—the components of a developed and robust framework are readily identifiable. In common with the US model, these arrangements reflect a mixture of government intervention and self-regulation.

Timor Leste accounting system

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities worldwide in the preparation of financial statements. These standards are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

IPSAS aims to improve the quality of general purpose financial reporting by public sector entities, leading to better-informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability.

Lao accounting system

Government entities apply the Cash Basis International Public Sector Accounting Standards (IPSAS). Financial Reporting under the Cash Basis of Accounting to be prepared to move towards the accrual basis International

Public Sector Accounting Standards, the decree number 529/MoF, dated 26 February 2016 on adoption and implementation of the cash basis IPSAS.

Managerial accounting is the practice of identifying, measuring, analyzing, interpreting, and communicating financial information to managers to pursue an organization's goals. It varies from financial accounting because the intended purpose of managerial accounting is to assist users internal to the company in making well-informed business decisions.

Managerial accounting encompasses many facets of accounting aimed at improving the quality of information delivered to management about business operation metrics. Managerial accountants use information relating to the company's cost and sales revenue of goods and services. Cost accounting is a large subset of managerial accounting that focuses explicitly on capturing a company's total production costs by assessing the variable costs of each step of production and fixed costs. It allows businesses to identify and reduce unnecessary spending and maximize profits.

SUMMARY

Accountants and managers need to understand the operational structure of the information system accounting information to serve the decision-making process, promote the role of accountants, and effectively coordinate activities between accounting and other departments in the enterprise.

So to do it well, accountants need to see the need and basis for establishing an accounting legal system—elements of national and international accounting legal systems.

PRACTICE EXERCISES

A. Questions:

1. Explain theoretically and practically the necessity of an accounting legal system?

2. What factors are often influenced by the legal accounting system? Analyze the factors that affect the accounting legal system?

3. What are the components of the national legal system? What are the characteristics of each of those elements?

4. State the primary content of the elements in the legal accounting system of Vietnam?

5. What is the International Accounting Standards System (IAS)?

6. Material Differences Between Vietnamese Accounting Standards (VAS) and International Accounting Standards (IFRS). (international accounting standards on presentation of financial statements and related matters)?

B. Multiple choice

1. Which statement is correct regarding IFRS?

a) IFRS reverses the rules of debits and credits, that is, debits are on the right and credits are on the left.

b) IFRS uses the same process for recording transactions as GAAP.

c) The chart of accounts under IFRS is different because revenues follow assets.

d) None of the above statements are correct.

2. The expanded accounting equation under IFRS is as follows:

a) Assets = Liabilities + Owner's Capital + Owner's Drawings + Revenues - Expenses.

b) Assets + Liabilities = Owner's Capital + Owner's Drawings + Revenues - Expenses.

c) Assets = Liabilities + Owner's Capital - Owner's Drawings + Revenues - Expenses.

d) Assets = Liabilities + Owner's Capital + Owner's Drawings - Revenues - Expenses

3. A trial balance:

a) is the same under IFRS and GAAP.

b) proves that transactions are recorded correctly.

c) proves that all transactions have been recorded.

d) will not balance if a correct journal entry is posted twice.

4. One difference between IFRS and GAAP is that:

a) GAAP uses accrual-accounting concepts and IFRS uses primarily the cash basis of accounting.

b) IFRS uses a different posting process than GAAP.

c) IFRS uses more fair value measurements than GAAP.

d) the limitations of a trial balance are different between IFRS and GAAP.

5. The general policy for using proper currency signs (dollar, yen, pound, etc.) is the same for both IFRS and this textbook. This policy is as follows:

a) Currency signs only appear in ledgers and journal entries.

b) Currency signs are only shown in the trial balance.

c) Currency signs are shown for all compound journal entries.

d) Currency signs are shown in trial balances and fi nancial statements

6. Currently, the number of VASs compared to IAS/IFRS is not similar equivalent (International has ... standards, Vietnam has ...standard)

a) 49; 25 b) 50; 26 c) 51 26_ d) 52; 26

7. "*GAAP" refers to:*

a). General Association of Accounting Practitioners.

b). General Accounting and Auditing Principles.

c). Generally Accepted Accounting Principles.

d). Guidelines for American Accounting Procedures.

CHAPTER 5: ACCOUNTING BOOK AND RECORD IN ACCOUNTING BOOK

Tutorials

To do well in this lesson, students need to refer to the following learning methods:

+ Follow the weekly course schedule, complete the exercises and participate in discussion on the forum.

Read documents:

Textbook Accounting Principles (2015)-Twelfth Edition. Page 181-225. Textbook Theory of Accounting (2014), Doan Xuan Tien, House Finance publishing; Textbook Accounting for People Who Think They Hate Accounting (2016), Anurag Singal, Chartered Accountant, MBA (IIM Ahmedabad), page 22-33.

Students work in groups and communicate with instructors directly in the classroom or via email.

+ Course Web site.

Abstract:

In this chapter, students are introduced to the accounting book system and accounting book form. Contents and principles for building accounting book templates, book-entry rules, order of recording accounting books according to each accounting form. Distinguishing types of accounting books according to each accounting form.

Study Objectives:

By the end of this chapter, students will be able to:

LLO1: **Understand** the content, principles of building accounting book templates, book-keeping rules, order of accounting books according to each form of accounting.

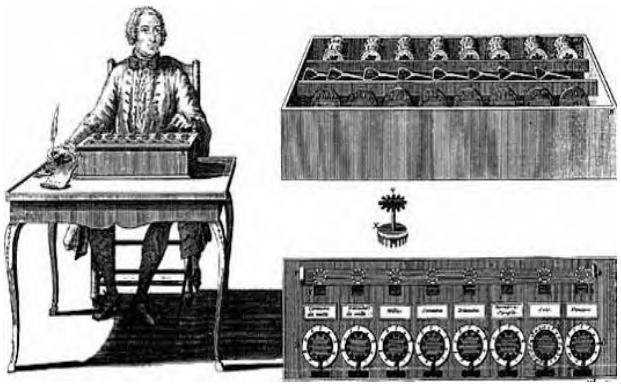
LLO2: Distinguish the types of accounting books according to each accounting form and Computerized Accounting.

LLO3: Apply into work

Introductory situation

The Story of "Pascal's Calculator"

Another story about the accounting profession is related to the name of the famous mathematician Pascal.



Pascal's father was also an accountant. With the desire to help his father reduce the burden of calculating numbers, Pascal came up with the idea of inventing a tool to make calculations faster and more accurate. That was the first idea of the electronic computer that has become highly familiar and convenient.

The story of the accounting profession above makes you feel that the accounting profession is interesting. Don't think that numbers will give you a headache; think of the most exciting things from the numbers themselves. You will find passion and enthusiasm in your accounting work.

Source: *A touching story about the accounting professionhttps,*

://tintucketoan.com/chuyen-nghe-ke-toan/

5.1. Accounting books

5.1.1. Definition of accounting books

Accounting books are books built according to specific forms and closely related to each other, used to record and systematize information on

economic and financial activities based on data of financial documents, from accounting according to the correct accounting method to provide systematic information to serve the leadership and management of financial accounting activities in the unit.

General principles for building an accounting book model: an accounting book must have a scientific and reasonable structure, ensuring the following elements:

- Recording date, number, and date of vouchers used for bookkeeping
- Summary of recorded financial accounting activities
- Amount of money to be recorded

Ensure convenient recording, systematization, and data synthesis, suitable for identifying information for leadership and management of activities in the unit.

5.1.2. Types of accounting books.

5.1.2.1. According to the way recorded in the accounting books

The accounting books are recorded in chronological order:

The type of accounting book is used to record all economic and financial transactions in the accounting period according to the chronological order of those financial accounting activities.

Belonging to this type of book is the General diary book, Register of book-keeping vouchers.

Effect: Allows to identify and check all financial accounting activities occurring in the unit.

The accounting books are recorded according to the system:

This type of book is used to record, reflect, and systematize financial and economic activities according to each economic and financial indicator and each specific accounting object.

I belong to this type of accounting book, Ledger of accounts, detailed accounting book, Diary of vouchers.

Effects: Allows to identify and check the implementation of economic indicators of the unit.

Combined accounting books:

This type of book is used to record economic and financial activities in an accounting period in both chronological and systematic order on the same page.

Included in this type of book is: Ledger diary book

Effects: Allows to identify and check the implementation of the main targets of the unit and the main activities taking place in the team.

5.1.2.2. According to the content recorded in the accounting books

General accounting book:

It is a type of accounting book used to record economic and financial activities related to the accounting object in a general form reflected in the public economic accounts.

Belonging to this type of accounting book includes the Ledger of accounts, the Ledger diary book, the General diary book, and the Register of book-keeping vouchers.

Effect: Allows to identify of economic indicators in a general form.

Detailed accounting book:

It is a type of accounting book used to record economic and financial activities in specific details according to detailed economic accounts, meeting the exact management requirements of the entity.

Belonging to this type of accounting book, there are detailed accounting books such as detailed payment books with sellers, buyers...

Effect: Allows to identify of economic indicators and specific unit accounting objects.

A book combining general accounting and detailed accounting:

It is a type of accounting book used to record economic and financial activities both according to the general economic account and the detailed accounting account.

Belonging to this type of accounting book as there are: Journal of vouchers, Ledger of accounts (multi-column type)

Effect: Allows to identify economic and financial indicators both in general form and in the detailed and specific form

5.1.2.3. According to the oranizing the accounting books

Loose book: is a type of accounting book in which the pages of the accounting books are kept separate.

Book bound: is an accounting book in which the pages are bound into volumes, numbered in order, and stamped in the middle of the pages.

5.1.3. Rules for making accounting books and correcting accounting books.

5.1.3.1. Open accounting book

At the beginning of the accounting year (at the beginning of the calendar year 1/1), the units shall open accounting books according to the list of accounting books registered with the state management agency and record the balance on the final accounting books. from the previous year (the closing balance) to the beginning of this year (the opening balance) on the new accounting books opened for this year.

Each accounting unit is allowed to open only one official and unique accounting book system.

5.1.3.2. Accounting entries

The accounting book entries must be made based on valid and lawful accounting vouchers. Accounting books must be recorded entirely, timely, accurately, and clearly.

Data recorded in accounting books must use good ink, not fade, and be continuously and systematically recorded.

No interlacing, overlapping, or omitting line spacing; Prohibit erasing; Prohibit the use of chemicals to repair (eraser).

When detecting errors in the accounting books, they must be corrected according to the prescribed book-repair method but without losing the wrongly recorded data.

5.1.3.3. Fix accounting books

Correction method:

- Conditions of application: Used to correct accounting books in case of incorrect interpretation, incorrect data recording is detected early before data accumulation or book transfer.

- Content of the method: Accountants use red ink to cross out the incorrect entries and use normal ink to write the correct part in the space above. Besides that, write the full name and signature of the editor.

Additional recording method:

- Conditions of application: This method is applied when the transaction is omitted or the wrong amount is < the actual amount to be recorded and the error is discovered late after accumulating data.

Method content:

+ Wrong amount: correct by adding the missing amount in the next line after the line adding the book, then adding the book together.

+ *Records the business: write in the next line to add the book, then add the book.*

Example:

Purchased materials for storage at the price of $ 36,400,000, not yet paid to the seller.

Assume that the accountants have specified:

Debit 152: 34.600.000

Credit: 331 34,600,000

When detecting the accountant, make additional entries in the journal entry:

Debit 152: 1,800,000

Credit: 331 1,800,000

Recording method:

Conditions apply:

+ Wrong number > actual number to write

+ Duplicate business many times

+ Wrong entry

Method content:

+ In case the wrong number > the actual number to be recorded: Write the excess amount in red entry.

Example: Still in the above example, the accountant recorded:

Debit 152: 63,400,000

Credit 331: 63,400,000

When the excess difference is detected in red:

Debit 152: (27,000,000)

Credit 331: (27,000,000)

+ In case of recording duplicate transactions many times: Create a new account with the same reciprocal relationship, with the same number, and record it in red entry to delete the excess.

+ In case of incorrect itemization: When detecting that the incorrect item is recorded in red ink to erase, then record the correct item in plain ink.

5.1.3.4. Close the accounting book

At the end of the accounting period (month-end, quarter-year, year-end) or in the following cases: inventory of assets, merger, dissolution, or division of an enterprise, accounting books must be closed.

Closing an accounting book is recording data between related accounting books, adding the arising numbers, and recording the ending balances of the accounting accounts on the accounting books in service of the preparation of accounting reports.

5.2. Accounting forms

5.2.1. Concept of accounting form.

The form of accounting is the system of organizing accounting books, including the number of books, the structure of the booking form, the

relationship between the different types of books used to record, summarize and systematize data from the original documents according to the principles of accounting. A particular order and method of bookkeeping to provide documents related to economic and financial indicators, serving the preparation of accounting reports.

5.2.2. Accounting forms.

5.2.2.1. General Ledger

Basic features :

Use the Ledger Journal as the only general ledger to record all economic activities in chronological and systematic order. The basis for recording in the Ledger Journal is accounting vouchers or a summary of accounting vouchers.

Bookkeeping system:

+ Ledger diary

+ Detailed accounting books and cards

Order and method of recording accounting books.

(1): Daily, based on accounting vouchers or a summary of accounting vouchers of the same type that have been checked and used as a basis for book-entry, first of all, the debit and credit accounts are determined. To record in the NKSC book. Data of each accounting voucher or Summary of accounting vouchers of the same type shall be recorded on the same line in both the Journal and Ledger sections.

A summary of vouchers is made for accountants of the same type (receipts, payments, warehouse receipts...) arising many times a day or every 1 to 3 days.

Accounting vouchers or a summary of accounting vouchers of the same type after they have been entered into the accounting books are used to record relevant detailed accounting books (cards).

For vouchers on cash receipts and payments, the cashier shall record them in the cash book.

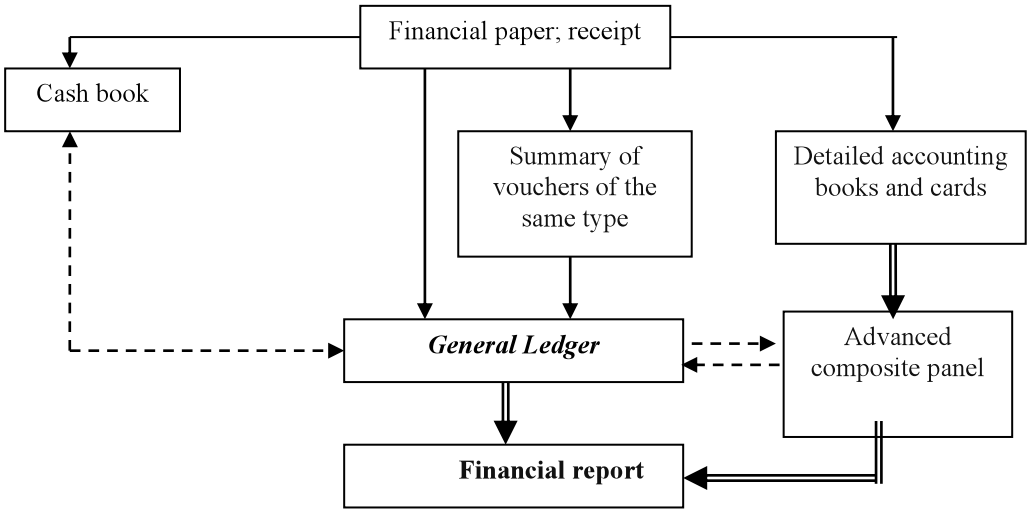


Figure 5.1. General Ledger

(2): At the end of the month, after reflecting all the accounting vouchers arising in the month into the general ledger and the detailed accounting books, the accountants add the data in the column of occurring numbers in the Journal other sections. column Debit, column Credit of each account in the ledger to record in the accrual line at the end of the month

Based on the arising number of previous months and the arising number of this month, the accumulated arising number from the beginning of the month is calculated.

(3): When checking and comparing the month-end (quarter-end) additions in the general ledger, the following requirements must be met:

The total amount of the column "incurred" in the Journal section	=	**Total amount incurred Debit of all accounts**	=	**Total amount incurred Credit of all accounts**

Total Debit balance of accounts = Total Credit balance of accounts

(4): The detailed accounting books (cards) must also be closed to add the arising Debts, add the arising Credits and calculate the month-end balance of each subject.

Based on the closing data of the subjects, a "Detailed Summary Table" is made for each account.

Compare data between the detailed summary tables with the Ledger Diary, between the Ledger Diary and the treasury book.

Based on the data on the Ledger Diary and the Detailed Summary Sheet, the accountant prepares an accounting report.

5.2.2.2. Doccument accounting form.

Basic features of the form of bookkeeping vouchers

The direct basis for recording general accounting books is the bookkeeping vouchers. Available accounting entries include:

+ Record in chronological order in the Book of registration of vouchers

+ Record according to economic content on the Ledger

Bookkeeping system

+ Bookkeeping vouchers

+ Book of registration documents

+ Ledger

+ Detailed accounting books

Order and method of bookkeeping:

(1): Daily, based on accounting vouchers or a summary of audited accounting vouchers of the same type, used as a basis for book-entry, accountants make book-entry vouchers. based on book-entry vouchers to record in the Book of book-entry vouchers, which are then used to record the Ledger.

Based on the accounting vouchers, make relevant detailed accounting books.

For vouchers on cash receipts and payments, the cashier shall record them in the cash book.

(2): At the end of the month, to close the Book, calculate the total amount of economic and financial transactions arising in the month on the Register of Recording Documents, calculate the total amount of Debt, the total amount of Credit, and month-end balance of each Account on the Ledger

Based on the data in the Ledger, the accountant prepares a balance sheet of arising numbers.

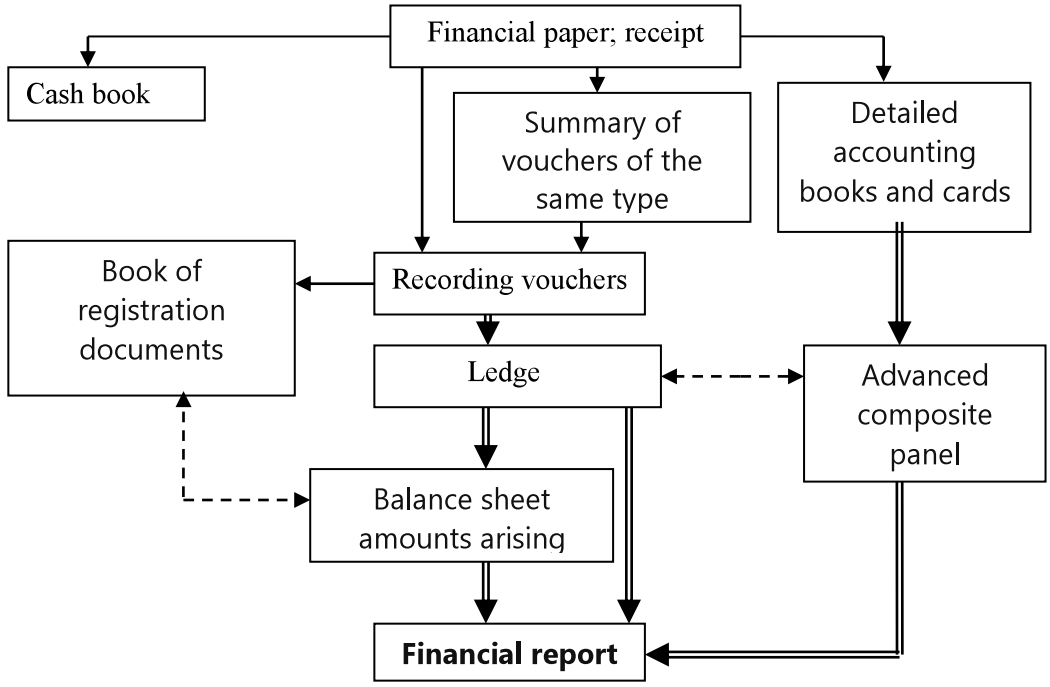


Figure 5.2: Doccument accounting form.

(3): After checking and comparing the data between the Ledger and the detailed summary sheet, between the balance sheet of arising numbers and the Register of bookkeeping documents, accountants base themselves on the data in the Ledger and Table. Balances are appearing, detailed tables to prepare financial statements.

5.2.2.3. General Journal

Basic features of the general journal accounting form

All arising transactions are recorded in the Journal, with the focus being on the General Journal according to the chronological order of occurrence and the economic content of that transaction. Then take data on the Journals to record in the Ledger according to each arising transaction.

Bookkeeping system

+ General diary book, particular diary book

+ Ledger

+ Detailed accounting books

Order and method of bookkeeping:

(1): Every day, based on the checked vouchers, accountants record in the general journal, then based on the data recorded in the general journal to register in the Ledger according to each appropriate accounting account. Fit.

If the unit opens the detailed accounting books and cards concurrently with the general journal entries, the arising transactions are recorded in the relevant detailed accounting books and cards.

In case the unit opens unique diary books such as cash receipt Journal, cash payment journal, purchase diary book, sales diary, based on the accounting documents recorded in the journal mainly. Periodically (3,5,10 ... days) or at the end of the month, depending on the volume of transactions arising, sum up the data of each particular journal to record inappropriate accounts on the Ledger, after excluding duplicate numbers because a transaction is recorded simultaneously in many unique journal books (if any).

Note: The particular journal's economic and financial transactions are not recorded in the general journal.

(2): At the end of the month, at the end of the quarter, or the end of the year, add up the data on the Ledger, make a balance sheet of arising numbers, and base on the information on the detailed accounting books to make a detailed summary table.

After checking and comparing the data between the detailed summary table and the Ledger, the accountants generate a detailed summary table to prepare the financial statements based on the data in the Ledger and the balance sheet.

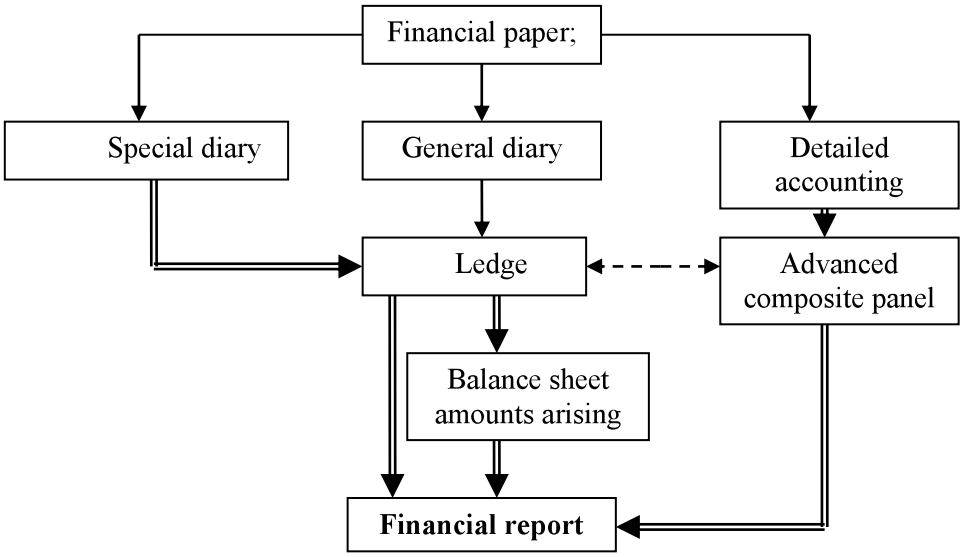


Figure 5.3 :General Journal

5.2.2.4. Accounting form Documentary journal

Basic features of the journal - voucher accounting form:

+ Gather and systematize the economic transactions arising under the Credit side of the accounts in combination with the analysis of those financial transactions according to the Debit counterpart accounts.

+ Closely combine the recording of economic transactions in chronological order with the systematization of transactions according to economic content.

+ Widely connect general accounting with detailed accounting on the same accounting book and the same recording process.

Bookkeeping system:

+ Logbook, vouchers, lists

+ Ledger

+ Detailed accounting book

Order and method of recording accounting books:

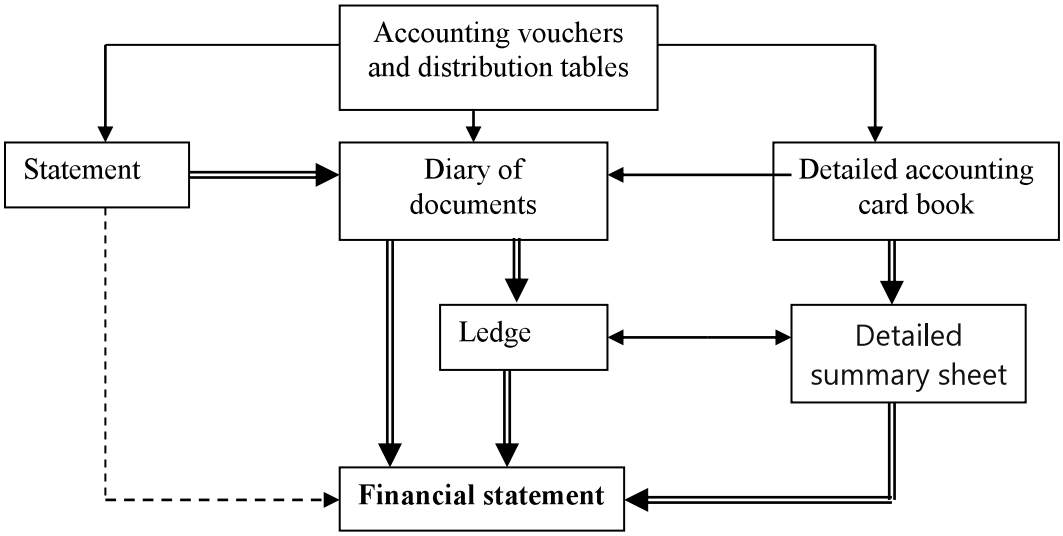


Figure 5.4. Accounting form Documentary journal

(1) Every day, based on checked accounting vouchers, accountants shall record directly in the voucher diaries or relevant detailed accounting statements and books.

- For production and business expenses incurred many times or of a distributive nature, the original documents are first gathered and classified in the allocation tables. The data in BPB is recorded in the table and related records and records.

- At the end of the month, based on the total data in the List and detailed accounting books, the accountants shall record in the relevant vouchers diary.

(2): At the end of the month, close the books, add data on the voucher diaries, check and compare the data on the vouchers with the detailed accounting books and cards, the detailed summary table and get the total data of the journal entries recorded directly in the Ledger.

At the end of the month, based on the detailed accounting book or card, make detailed summary tables for each account to compare with the Ledger.

- The total data in the Ledger and several items in the vouchers, statements, and detailed summary tables are used to prepare the financial statements.

5.2.2.5. Computerized Accounting

The essential feature of computerized accounting is that the accounting work is done according to a computerized accounting software program.

Accounting software is designed according to the principles of one of the four accounting firms or a combination of the accounting forms specified above. The accounting software does not fully display the accounting bookkeeping process but must be able to print the accounting books and financial statements as prescribed fully.

Basic features of Computerized Accounting

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Accounting software is designed according to the principles of one of the four accounting firms or a combination of the accounting forms specified above.

The accounting software does not fully display the accounting bookkeeping process but must be able to print the accounting books and financial statements as prescribed fully.

Types of books of Computerized Accounting

Accounting software designed according to any form of accounting will have all kinds of books of that accounting form, but it is not the same as the manual accounting book model.

The order of making accounting books according to the Computerized Accounting Form

1. Every day, accountants base themselves on accounting vouchers or a summary of audited accounting vouchers of the same type, which is used as a basis for book-entry and identification of debit and credit accounts to enter. Data into the computer according to tables and charts pre-designed on accounting software.

According to the process of accounting software, the information is automatically entered into the general accounting book (ledger or diary-ledger...) and related detailed accounting books and cards. Where to study business accounting?

2. At the end of the month (or at any necessary time), accountants perform the closing operations (adding books) and make financial statements. The comparison between the general and detailed data is done automatically and always ensures accuracy and truthfulness according to the information entered in the period. Accountants can check and compare data between accounting books and financial statements after printing on paper.

Perform operations to print financial statements as prescribed.

At the end of the month and the end of the year, the general accounting books and detailed accounting books are printed on paper, bound into volumes and carry out legal procedures following regulations on manual accounting books.

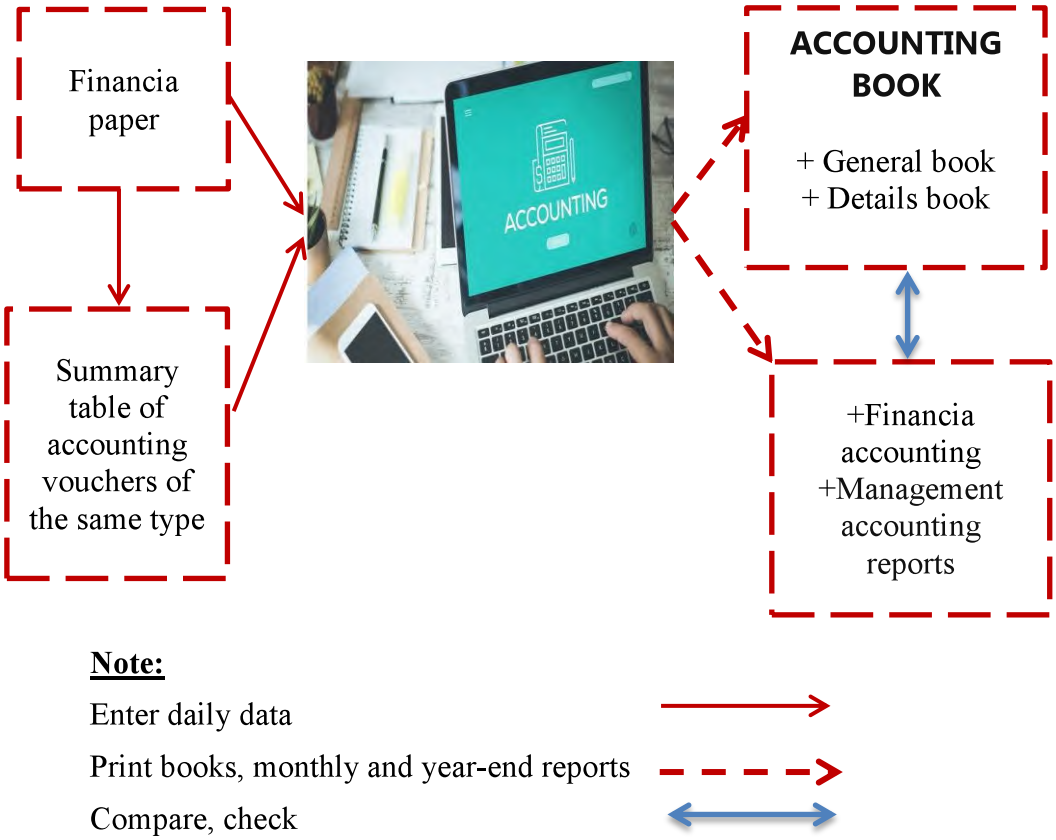


Figure 5.5: Computerized Accounting

Bookkeeping forms in the form of computerized accounting

- The booking form in the computerized accounting form is not necessarily the same as the handwritten accounting book form.

- The form may not have columns of information like a handwritten accounting book template, may have additional columns of intermediate information to facilitate formulating. Where is a good place to learn import and export?

- For businesses that use computer-based accounting when a transaction is generated, the accountant will usually enter information into the computer when the trade is developed, so usually the date of entry and the date of the transaction. voucher is the same day

Compare data in accounting on computers.

In manual accounting, the reconciliation of data between the books is necessary because the data may be wrongly recorded or from the time the data is compiled from the detailed books to the general table. Fit. The reconciliation helps accountants to detect errors and use correction methods.

- However, in machine accounting, the comparison of data between the books does not make much sense because all accounting books have access to the same data set, so the making of books is close to each other. as an independent.

SUMMARY

Accounting book

It is a means to systematically record financial accounting transactions arising from time to time and by the object. For accounting, the most important thing is to understand the books to reflect arising transactions promptly; it is the essential source of data to prepare financial statements.

Accounting principles accounting process:

To open a book: Must choose an accounting form according to Ledger journal, General journal, NKTK, or computer accounting:

Bookkeeping: Record accounting vouchers inappropriate books for each accounting object

Correction of errors: As specified

Close the window:

There are four types of accounting: General Ledger; Document accounting form; General Journal; Accounting form Documentary journal.

PRACTICE EXERCISES

A. Questions:

1. According to the contents recorded in the accounting books, how many forms of accounting books are there? Presenting records in general accounting books?

2. Explain the rules for opening accounting books?

3. Draw a diagram of accounting from Ledger diary

4. Draw a diagram of accounting from a General journal

5. Draw a diagram of accounting from Bookkeeping vouchers

B. Multiple choice

1. The book value of a depreciable asset is defined as the asset's:

a). cost.

b). current market value.

c). cost less accumulated depreciation.

d). replacement cost.

2. The net income (or loss) for the period:

a). is found by computing the difference between the trial balance totals and the adjusted trial balance totals.

b). is found by computing the difference between the income statement credit column and the balance sheet credit column on the worksheet.

c). cannot be found on the worksheet.

d). is found by computing the difference between the income statement columns of the worksheet.

3. Omission of a prepaid expense adjusting entry will have the following effects:

Total Assets	Total Expenses	Total Owners' Equity
a. Overstated	No Effect	No Effect
b. No Effect	Understated	Overstated
c. Overstated	Understated	Overstated
d. Overstated	No Effect	Overstated

4.Accounting terms: "Debt of cash account / Having accounts receivable from customers" shows the following economic contents:

a). Advances to sellers

b). The customer pays the debt in cash

c). Cashback to customers

d). None of the answers are correct

5. An accountant will recognize an advance revenue as:

a). Enterprise property

b). Liabilities of the enterprise

c). Turnover of the business

d). Owner's equity of the business

6. Which of the following is not reflected on a balance sheet:

a). Processing materials worth 30,000 goods by bank deposit

b). Buyers advance 30,000

c). A cash advance for employees.

d). Buy 30,000 fixed assets with bank deposits.

C. Exercise

Exercise 1

DO IT	Recording Business Activities
Action Plan ✔Understand which activities need to be recorded and which do not. Any that affect assets, liabilities, or owner's equity should be recorded in a journal. ✔Analyze the effects of transactions on asset, liability, and owner's equity accounts.	Hoa Nguyen engaged in the following activities in establishing her salon, Hair It Is: **1**. Opened a bank account in the name of Hair It Is and deposited $20,000 of her own money in this account as her initial investment. **2**. Purchased equipment on account (to be paid in 30 days) for $4,800. **3**. Interviewed three people for the position of hairstylist. Prepare the entries to record the transactions The three activities would be recorded á follows 1. Cash 20.000 Owner's Capital 20.000 (Owner's investment of cash in business) 2. Equipment 4.800 Accounts Payable 4.800 (Purchase of equipment on account) 3. No entry because no transaction has occurred

Exercise 2

Instructions: Complete the partial worksheet presented below, inserting additional labels as needed.

AUBREY SERVICES AGENCY
Partial Worksheet
For the Month Ended April 30, N

Account Titles	Adjusted Trial Balance Dr.	Cr.	Income Statement Dr.	Cr.	Balance Sheet Dr.	Cr.
Cash	6,500					
Accounts Receivable	2,000					
Supplies	3,075					
Prepaid Insurance	2,000					
Prepaid Rent	500					
Equipment	35,000					
Accum. Depreciation—Equipment		4,000				
Notes Payable		14,000				
Accounts Payable		12,000				
Unearned Service Revenue		2,000				
Salaries and Wages Payable		1,300				
Interest Payable		50				
Owner's Capital		9,825				
Owner's Drawing	2,000					
Service Revenue		20,300				
Interest Expense	400					
Salaries and Wages Expense	7,000					
Supplies Expense	1,500					
Rent Expense	2,000					
Insurance Expense	1,500					
Totals	**63,475**	**63,475**				

Exercise 3

Instructions: Match the account titles given below with the appropriate balance sheet classification. An individual type may be used more than once or not at all. An account may also not appear in the balance sheet.

Classifications

CA	Current Assets	CL	Current Liabilities
PPE	Property, Plant and Equipment	LTL	Long-term Liabilities
LTI	Long-term Investments	OE	Owner's Equity
IA	Intangible Assets	NP	Not separately presented on the Balance Sheet

Account Titles

1. Service Revenue	_____	10. Owner's Drawing	
2. Unearned Rent Revenue	_____	11. Supplies	
3. Accumulated Depreciation—Equipment	_____	12. Taxes Payable	
4. Accounts Payable	_____	13. Rent Expense	
5. Trademarks	_____	14. Salaries and Wages Payable	
6. Short-term Investments	_____	15. Mortgage Note Payable	
7. Owner's Capital	_____	16. Copyrights	
8. Prepaid Insurance	_____	17. Equipment	
9. Accounts Receivable			

Exercise 4:

Instructions: Present the solutions, with appropriate supporting calculations, for each of the following independent problems.

1. Given the following information, compute the balance in the Owner's Capital account at January 1, 2012 for Johnson Company.

Owner's Capital—December 31, 2012	$170,000
Owner's investments during 2012	$30,000
Owner's withdrawals during 2012	$80,000
Net income for 2012	$125,000

2. Given the following information, determine the three missing amounts.

Beginning of the Year	End of the Year	During the Year
Total Assets$62,000	Total Assets???	Investments$22,000
Total Liabilities23,000	Total Liabilities40,000	Drawings 10,000
Total Owner's Equity???	Total Owner's Equity58,000	Revenues???
		Expenses 57,000

CHAPTER 6:
ORGANIZING ACCOUNTING WORK

Tutorials

To do well in this lesson, students need to refer to the following learning methods:

+ Follow the weekly course schedule, complete the exercises and participate in discussion on the forum.

Read documents:

Doan Xuan Tien, 2014. House Finance publishing; Textbook Accounting Principles (2015)-Twelfth Edition. Page 301-the end.

Students work in groups and communicate with instructors directly in the classroom or via email.

+ Course Web site.

Abstract:

The chapter on Organization of Accounting Work will introduce students to the meaning of content and tasks of organizing accounting work; Organization of the accounting apparatus in the new period.

Study Objectives:

LLO1: Understand content and tasks of organizing accounting work

LLO2: Understand the meaning of Organization of the accounting apparatus in the new period.

Introductory situation

Accounting plays a vital role in the management tool system of enterprises. However, the critical role of accounting can only be promoted when the accounting unit organizes scientific and practical accounting work.

6.1. Meaning and Mision of organizing accounting work

6.1.1. Meaning of organizing accounting work

Accounting plays a vital role in the economic management system and is an essential tool in the management, administration, inspection, and supervision of financial and accounting activities in the units and the financial sector—the entire national economy.

The organization of accounting work should be understood as a system of constituent elements, including organization of accounting apparatus, application of accounting methods, accounting techniques, and application of accounting regimes accounting... In that system, the organizational aspect of the accounting apparatus with people who understand accounting content, methods, and technical means are equipped to conduct accounting work. It is an important determining factor, is the center of the relationship between the elements of the system.

6.1.2. Content of organizing accounting work

- Selecting the type of organization of accounting work and the organization of the accounting apparatus suitable to the kind of accounting selected work organization.

- Organizing the system of accounting vouchers, organizing the initial accounting, and organizing the rotation of accounting vouchers scientifically and reasonably.

- Organizing the application of the State-issued economic accounting system, selecting the appropriate financial accounts to build the monetary accounting system for the unit.

- Selecting the appropriate accounting form.

- Organizing the implementation of the accounting reporting and accounting inspection regime.

- Organizing training to improve professional qualifications, scientific and technical qualifications, scientific management for accounting staff.

6.1.3. Mision of organizing accounting work.

- Scientific and reasonable organization of accounting work in the unit, good organization of the accounting apparatus, clear assignment, and division of responsibility for each accounting department, regulation of the close relationship between accounting departments.

- Properly apply the system of accounting accounts and appropriate accounting forms, step by step plan to equip and use modern technical means of calculation; professional training for accountants;

- Guide and inspect staff to strictly comply with policies, regimes, and regulations on accounting-finance, accounting, and perform accounting audits.

6.2. Organizing accounting work

The organization of the accounting apparatus is a very important content of the organization of accounting work. The accounting apparatus in the unit should be understood as a collection of accounting staff, staff, and technical means of recording, calculating, and information that are equipped to perform the entire accounting work from collection to payment. receiving, checking, processing, synthesizing, analyzing and providing economic information about the unit's activities, serving the management.

6.2.1. Organize a centralized accounting apparatus.

- Applied in small- or medium-sized units that operate centrally in the same area or large-scale units and dispersed areas of operation but have been equipped and applied. With modern technical means of recording and calculating information, centralized management organizations often choose the type of centralized accounting work organization.

- Accounting work is carried out at the central accounting department of the unit; the dependent units do not conduct accounting work. At the accounting department of the team and will handle all financial-accounting activities of the moving departments.

- Organization chart of centralized accounting apparatus

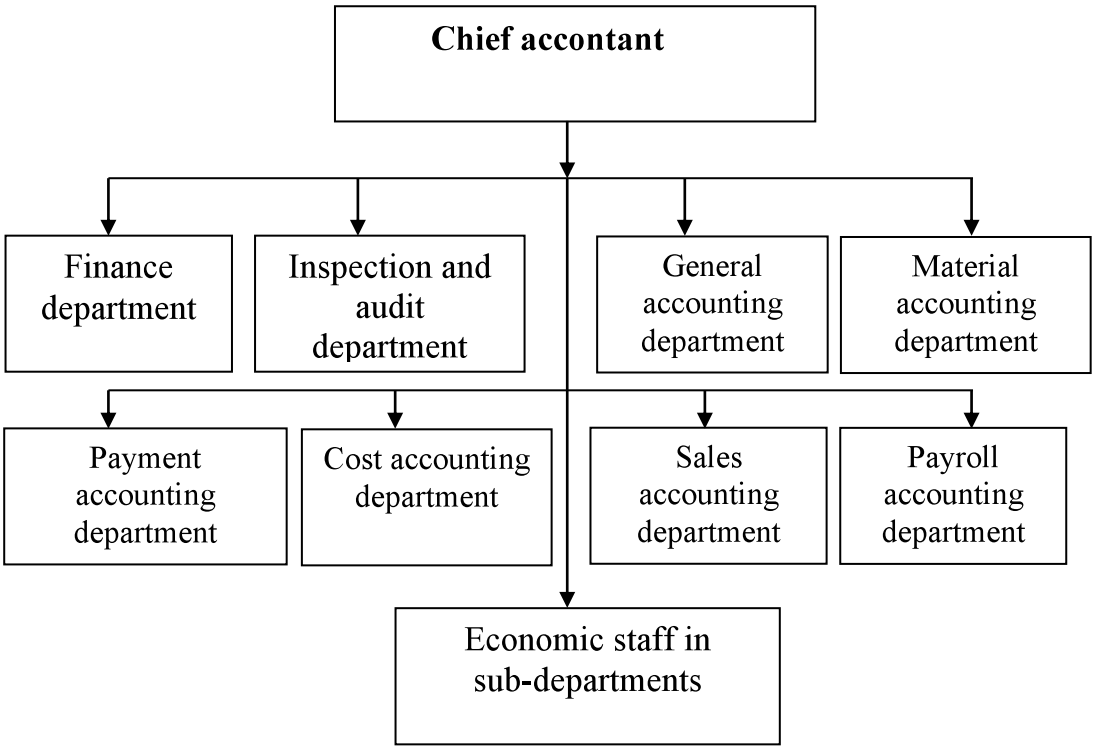


Figure 6.1. Organize a centralized accounting apparatus.

6.2.2. Distributed accounting apparatus organization.

- Applied in medium-sized, large-scale units, scattered operation areas but not yet equipped and applied modern recording, calculation, and information technology means, with decentralization of management relatively comprehensive for dependencies.

- Accounting work is carried out at the central accounting department of the unit and its divisions and dependent units. The centralized accounting department will synthesize accounting documents submitted by the divisions' accounting departments, organize the whole team's accounting, make accounting reports, and guide and inspect the entire unit. Accounting department in the unit.

- Organization chart of distributed accounting apparatus.

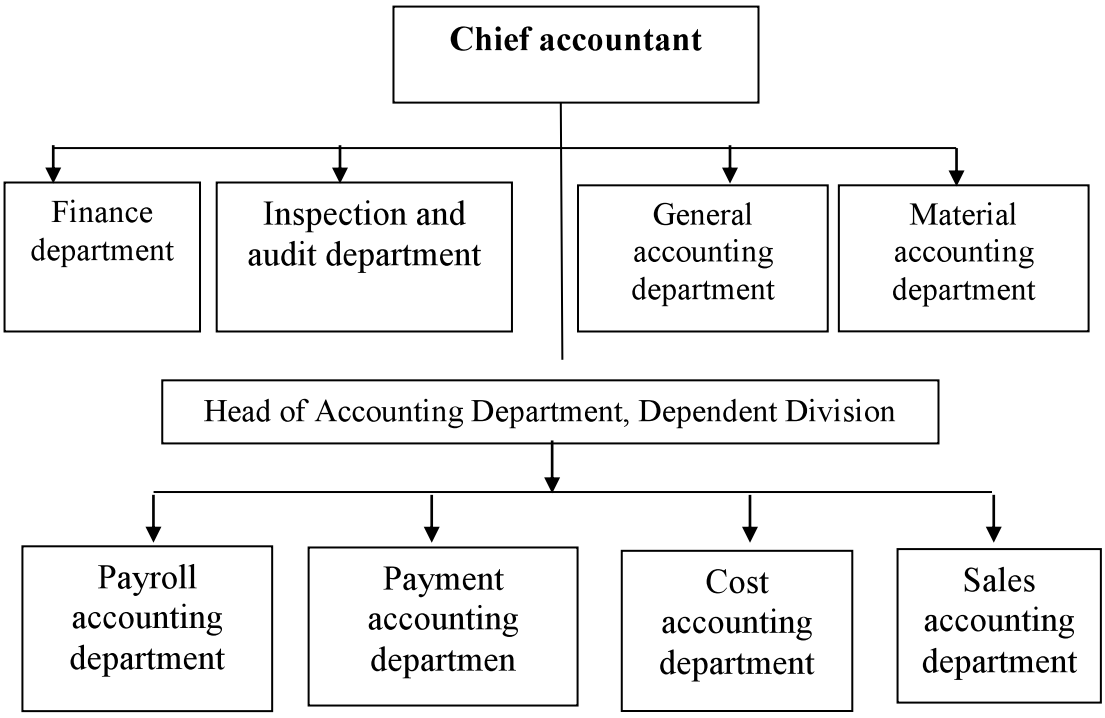


Figure 6.2. Distributed accounting apparatus organization

6.2.3. Organize the combined accounting apparatus.

- Applicable to medium-sized and large-scale units that operate centrally in one area and at the same time have several dependent divisions and dispersed operating units in several different locations. , not yet equipped and applied modern technical means of recording, calculating, and information in accounting work.

- The accounting apparatus of the unit is organized according to the model of a centralized accounting department of the team, the accounting departments of the dependent parts are dispersed, and the economic staff is in the hanging parts—concentrated activity. The central accounting department of the unit performs accounting for all financial-economic activities of the whole team, prepares financial statements, guides and inspects all accounting work in the unit. The accounting department of the dependent departments operates according to the decentralization of the centralized accounting department.

- Organization chart of the combined accounting apparatus (semi-centralized, half-distributed)

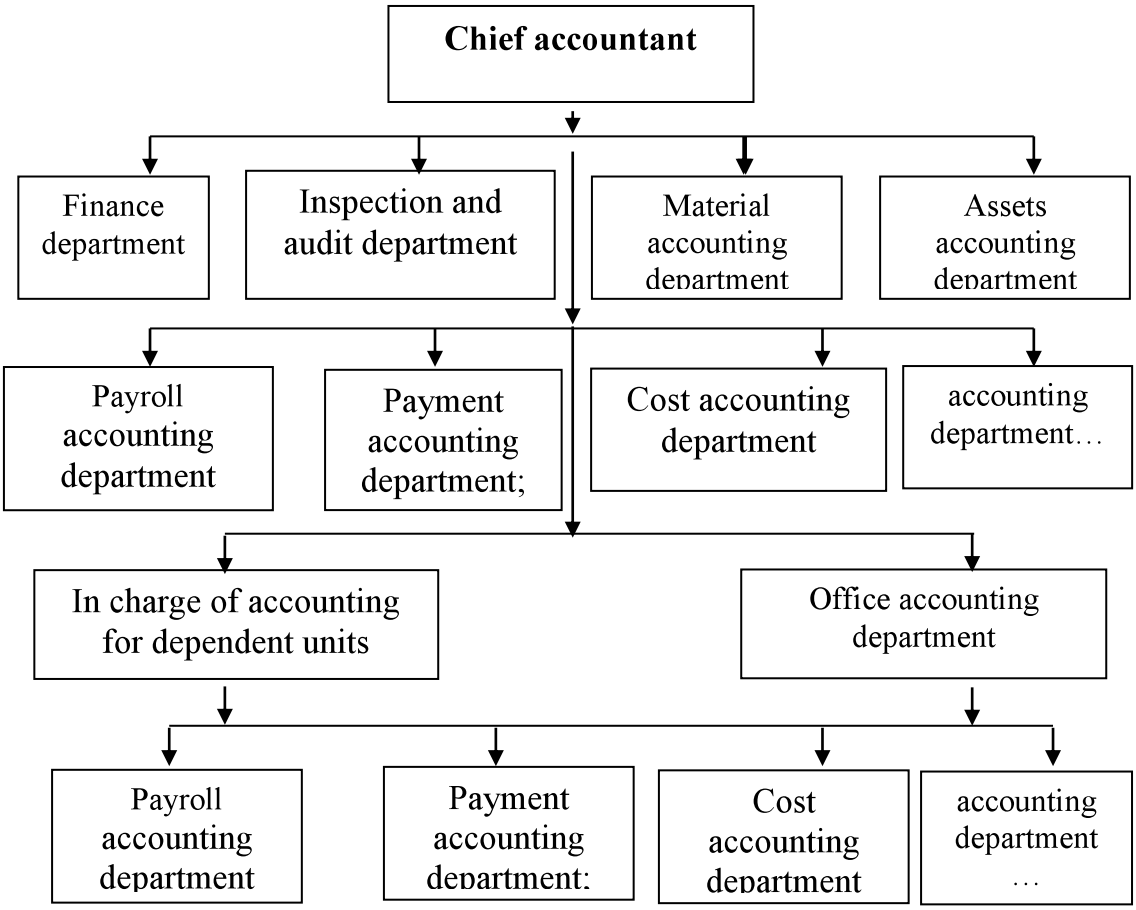


Figure 6.3. Organize the combined accounting apparatus

6.2.4. The 7 habit of highly Organize accounting

Roger CPA Review is delighted to have once again Dana Jarvis, Development Manager at Burr Pilger Mayer (BPM), as a guest blogger! Working for the largest California-based accounting and Consulting firm and an expert in all things CPA, Dana brings you the industry s hottest topics! Tune in below and learn priceless habits to make you invaluable in the workplace!

For a spin-off on the famous The 7 Habits of Highly Effective People, I wanted to add perspective on the 7 Habits of Highly Organized Accountants. One of the most critical skill sets to learn at an early point in your career is

staying organized and managing your ever-growing to-do list. During my 6+ years in public accounting, the following hints have helped me to manage my life and excel in a land where Type-A personalities have a significant advantage:

1. The trusted sidekick: The Notebook

The importance of a $2.00 notepad cannot be stressed enough. Having a central spot where you can keep your to-do list and jot down conversation points from the client is critical. I have a couple of guidelines. I like to stick by when using your notepad and to-do list: Cross-off or highlight each task as it is done- Taking that item off the to-do list accomplishes two things; it gives you a sense of accomplishment for an item that is finished, and it lets you see what you have not yet done. Writing something down is the first step, but making sure all tasks are done is a close second and just as important. Revisit your list at the end of the day- When you are still in the working frame of mind, quickly jot down the tasks that need to be done the next day- with a priority ranking. You won't catch yourself struggling the following day to remember what that nagging task was that is due by noon.

2. Not everyone has a photographic memory (aka write it down)

Always default to the more is more approach rather than, the less is more approach. When the client, manager, or partner requests that a report be sent, a schedule is completed, or an email is drafted, take a quick minute to write this down. The person who asks you to do something will rarely forget- no matter how trivial! By writing the task down, you have an insurance policy against forgetting due to a bad day, high stress, or just human error.

3. Take a Mental Break

During the busy season and other times of stress, it is essential that you periodically step away for at least a couple of minutes to clear your head. A walk around the block, a stretch, or a quick trip to pick up your lunch will get your eyes off the computer and allow your brain to reset. A fresh look is often the trick when looking at a problematic tax return or a cash flow statement that just isn’t working.

4. Early to Bed, Early to Rising

Many of the most successful partners I know start their day before 7:30 a.m. Getting into the office early guarantees at least an hour or two of uninterrupted silence where you can cross some oversized items off the to-do list and get a jump start to the day. Another benefit of getting to work early is avoiding the coffee and lunch crowds. Starbucks and Subway both get crowded during the traditional 8:30 and 12:00 windows. Arriving early will save you at least 15-30 minutes of waiting in line, which you can use to enter your time, finish that last expense report, or study for the CPA exam.

5. Beat the Fear of the Unknown- Practice Structured Procrastination

We all know some items on the to-do list that you will put off. One common reason is the fear of the unknown with either the topic or the assigned project. As you climb the ranks at a public accounting firm, you will be given to projects that have increasing difficulty. Leaving these tasks to the end can be a mistake, and the easiest way to move on to something else is to get it done. Figure out someone in your peer group who has performed this task, and pick their brains. Also, research can go a long way in the process and know the related facts. The sooner you get it done, the sooner the anxiety and worry disappear.

6. Do Some Housekeeping

Client invoices, bank statements, and loan agreements can stack up quickly. There is nothing worse than scrambling around for a client document while a set of eyes stare at you. Each time you are handed a pile of papers, you should set an organizational system to account for them. I find it helpful to include the person's business card and a post-it note explaining the items. Also, if the stack has an order, it doesn't hurt to put a post-it note on each, with the number written down. Then there is the food and trash issue. A good habit is throwing away your lunch, an empty bottle, or napkins when you finish. You would hate to have any coffee or food spill onto an original agreement that the client's the only copy. Also, people work more productively in environments with clear space to move and think.

7. Keep your Calendar Up to Date

As employees move up from the staff to upper-level management, their calendar management must also grow. Meetings start to occur on a more frequent basis. Send me a calendar invite to the higher up you get and the more you will hear. By electronically scheduling the meeting, even if it is an informal 15-20 minute brainstorming session, you give yourself a get out of jail free card in case you forget. When bill rates are high and time is of the essence, you want a systematic method for remembering what you have committed.

SUMMARY

In management science, accounting is seen as the collection, processing, examination, analysis, and provision of economic and financial information in value, in-kind, and labor time. Accounting is also the science of receiving, processing, and providing all information about assets, asset movement, economic and financial activities in an enterprise to check and supervise all business activities. Economics and finance of the enterprise.

Accounting plays a vital role in the management tool system of enterprises. However, the critical role of accounting can only be promoted when the accounting unit organizes scientific and practical accounting work.

It can be seen from this chapter that we know the meaning of the content and the task of organizing accounting work. Managing the accounting apparatus according to 3 models: Organize a centralized accounting apparatus; Distributed accounting apparatus organization; Organize the combined accounting apparatus; The 7 habit of highly Organize accounting**.**

PRACTICE EXERCISES

A. Questions:

1. Meaning of content of organizing accounting work?

2. Tasks of organizing accounting work?

3. What are the conditions for the application and organization of the centralized accounting apparatus?

4. What are the conditions for the application and organization of the distributed accounting apparatus?

5. What are the conditions for the application and organization of the combined accounting apparatus?

B. Multiple choice

1. A periodic inventory system:

a). requires the use of a cost of goods sold account throughout the year.

b). allows for the determination of cost of goods sold after each sale.

c). traditionally has been used with low unit-value items.

d. requires that detailed inventory records be kept.

2. When a seller grants credit for returned goods, the account that is credited is:

a). Sales Revenue.

b). Sales Returns and Allowances.

c). Inventory.

d). Accounts Receivable.

3. Which of the following accounts is not included in the computation of net sales?

a). Freight-out.

b). Sales Discounts.

c). Sales Revenue.

d). Sales Returns and Allowances.

4. An adjusting entry:

a). is always a compound entry.

b). affects two balance sheet accounts.

c). affects two income statement accounts.

d). affects a balance sheet account and an income statement account.

5. Morton Co. recorded a payment of cash on account to a creditor by debiting Accounts Receivable and crediting Cash. The correcting entry is:

a). debit Accounts Payable and credit Cash.

b). debit Cash and credit Accounts Receivable.

c). Some other correcting entry is necessary.

d). debit Accounts Payable and credit Accounts Receivable.

C. Exercise

Exercise 1:

DO IT **2. EXERCISE: Posting**

Action Plan

✔Recall that posting involves transferring the journalized debits and credits to specifi c accounts in the ledger.

Hoa Nguyen recorded the following transactions in a general journal during the month of March.

Mar 4	Cash		2.280	
	Service Revenue			2.280
15	Salaries and Wages Expense		400	
	Cash			400
19	Utilities Expense	92		
	Cash			92

Post these entries to the Cash account of the general ledger to determine its ending balance. The beginning balance of Cash on March 1 was $600.

Solution

Cash			
3/1 Bal	600	3/15	400
3/4.	2.280	3/19	92
3/31	2.388		

Exercise 2

Instructions: Place a check in the appropriate columns to designate whether each of the following accounts: (1) has a debit or credit normal balance; and (2) is an asset, liability, or owner's equity account.

		(1)		(2)		
Account		Debit	Credit	Asset	Liability	Owner's Equity
1.	Notes Payable					
2.	Rent Expense					
3.	Owner's Capital					
4.	Supplies					
5.	Accounts Payable					
6.	Accounts Receivable					
7.	Owner's Drawing					
8.	Unearned Service Revenue					
9.	Service Revenue					
10.	Prepaid Insurance					

Exercise 3

The ledger accounts given below, with an identification number for each, are used by Paulson Company.

Instructions: Indicate the appropriate entries for the month of May by placing the appropriate identification number(s) in the debit and credit columns provided. Item 0 is given as an example. Write "none" if no entry is appropriate.

1. Cash
2. Accounts Receivable
3. Supplies
4. Prepaid Insurance
5. Prepaid Advertising
6. Equipment
7. Salaries Payable
8. Accounts Payable
9. Unearned Service Revenue
10. Notes Payable
11. Owner’s Capital
12. Owner’s Drawing
13. Service Revenue
14. Equipment Expense
15. Advertising Expense
16. Supplies Expense
17. Rent Expense
18. Salaries Expense

Entry No.		Entry Information	Account(s) Debited	Account(s) Credited
0.	May 1	Owner K. Paulson invested $40,000 in the business.	1	11
1.	May 4	Equipment was purchased at a cost of $7,000; a three-month, 10% note payable was signed for this amount.		
2.	May 5	Paid a supplier $1,500 cash on account.		
3.	May 8	Paid $1,800 in cash to Palmero Company for May rent.		
4.	May 10	Purchased supplies for $2,500 cash. The supplies are expected to last through July.		
5.	May 14	Paid $300 cash to the Daily News for advertisements run this past week.		
6.	May 16	Billed customers $8,000 for services rendered.		
7.	May 19	Received $5,000 from customers for services rendered during the week.		
8.	May 25	Additional supplies were purchased on account at a cost of $800 from Superior Supplies Company. These supplies will be used during June.		
9.	May 26	Received $11,000 from customers for services to be rendered early in June.		
10.	May 27	Paid the Weekly News $300 for an advertisement that will run the first week in June.		
11.	May 28	Received $4,000 on account.		
12.	May 30	Owner K. Paulson withdrew $500 for personal use.		
13.	May 30	K. Minor, K. Paulson's administrative assistant, was paid $1,800 cash for her salary.		

SOLUTIONS

Chapter 1:

B. Multiple choice

1.a	2.c	3.c	4. a	5. b

Chapter 2:

B. Multiple choice

1.a	2.c	3.a	4. b	5. a

C. Exercise

Exercise 1: Request: Determine the balance of business capital; determine total short-term assets, total long-term assets, liabilities, and equity as of 01/01/N

+ 411 **:** Owner's equity: 4.315.000;

+ determine total short-term assets: 4.598.000

+ total long-term assets: 2.235.000

+ liabilities: 328.000

+ Undistributed profit after tax: 1.240.000:

.+ Investment and development fund: 950.000

Exercise 2

Request: Based on the above document, please classify assets according to business capital structure and source of business capital formation of Xuan Son enterprise.

Classify assets according to business capital structure

111. Cash on hand	240.00
131. Trade receivables	650.00
136. Internal receivables	120.00
112. Cash in bank	1.850.0
128. Investments held to maturity	200.00

138. Other receivables	80.000
153. Tools and supplies	620.00
158. Goods in bonded warehouse	3.200.0
141. Advances	80.000
211. Tangible fixed assets	2.640.0
221. Investment in subsidiaries	640.00

Source of business capital formation

335. Accrued expenses	1.350.0
338. Other payables	700.00
331. Trade payables	480.00
341. Borrowings and finance lease liabilities	1.215.0
334. Payables to employees	25.000
333. Taxes and other payables to State	50.000
411. Owner's equity	4.420.0
441. Capital expenditure funds	860.00
414. Investment and development fund	760.00
421. Undistributed profit after tax	460.00

Exercise 3: <u>Request:</u>

1. Please classify assets according to the classification: According to the structure of business capital and according to the structure of sources of business capital.

According to the structure of business capital		**According to the structure of sources of business capital**	
111. Cash on hand	650.000	331. Trade payables	360.000
112. Cash in banks	2.100.000	338. Other payables	40.000
121. Trading securities	970.000	334. Payables to employees	48.000
131. Trade receivables	420.000	335. Accrued expenses	12.000
136. Internal receivables	120.000	344. Deposits received	290.000

138. Other receivables	20.000	411. Owner's equity	5.600.000
128. Investments held to maturity	500.000	414. Investment and development fund	960.000
141. Advances	60.000	441. Capital expenditure funds	1.695.000
221, Investment in subsidiaries	1.400.000	417. Enterprise reorganization assistance fund	690.000
151. Goods in transit	360.000	421. Undistributed profit after tax	400.000
152. Raw materials	180.000		
244. Mortgage, collaterals and deposits	100.000		
156. Merchandise goods	4.600.000		
242. Prepaid expenses	45.000		
244. Mortgage, collaterals and deposits	100.000		
156. Merchandise goods	4.600.000		
211. Tangible fixed assets	3.400.000		
213. Intangible fixed assets	460.000		

2. Determine the value of the enterprise's assets according to the above classification: 20.085.000

Chapter 3:

B. Multiple choice

1.b 2.c 3.a 4. c 5. c

Exercise 1:

Calculation and accounting of the above economic and financial transactions

1. Debit 111/ Credit 411: 150.000

2. Debit 112/ Credit 111: 225.000

3. Debit 211/ Credit 331: 750.000 (Linh Anh co: 500.000)

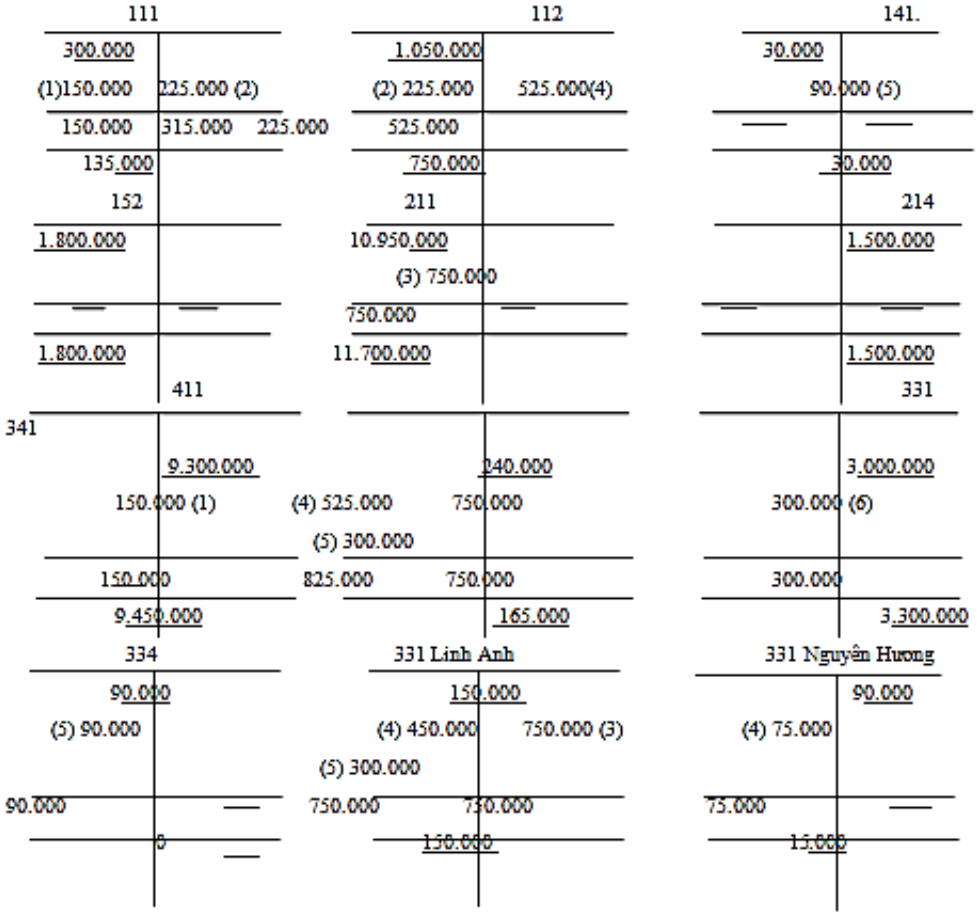
4. Debit 331: 525.000 Linh Anh Co: 450.000; Nguyen Hương Co: 75.000)

Credit 112: 525.000

5. Debit 334/ Credit 111: 90.000

6. Debit 331/ Credit 341: 300.000 (Linh Anh Co 331: 300.000)

Reflect the given documents into the general accounting accounts and detailed accounting accounts (detailed books) in the form of the letter T. Close the accounting books at the end of the period (the unit's accounting period by month)



Exercise 3

Request:

1. Calculate and allocate transportation costs for material A and goods B.

1/ Allocate shipping costs to A and B

Shipping costs are allocated to:

$$\text{Material A} = \frac{750}{30.000 + 45.000} \times 30.000 = 300$$

156 B = 750 - 300 = 450

2/ Establishing accounting accounts for arising economic transactions

At the beginning of the closing period, the value of goods and materials in stock at the beginning of the period is transferred:

Dr. 611: 45.900

Cr 152: 18,000

Cr 156 27.900

During the period, the following transactions occurred:

1. Dr 611: 30,000 VND

Dr 133: 3,000 VND

Cr 112: 33,000 VND

2. Dr 611 45,000 VND

Dr.133 4,500

Cr 331: 49,500 VND

3. Dr 611: 750

Dr.133: 75

Cr 111: 825

4. Dr 152 - Materials 18.750

Dr 156 - Goods 38.100 VND

Cr 611- Purchase 56.850 VND

Exercise 3

1a	Debitr 632	180.000	
	Credit 155		180.000
1b	Dr 131- (Co A)	297.000	
	Cr 511		270.000
	Cr 3331		27.000
2	Dr 641	7.200	
	Cr 111		7.200
3	Dr 511	5.400	
	Cr 532 (270.000 x 2%)		5.400
4	Dr 642	75.060	
	Có TK334- Phải trả CNV		54.000
	Có TK338- Phải trả, phải nộp khác		10.260
	Có TK214- Hao mòn TSCĐ		7.200
	Có TK111- Tiền mặt		3.600
5a	Revenues = 270.000 - 5.400 = 264.600		
	Net revenue transfer:		
	Dr 511-	264.000	
	Cr 911		264.000
5b	Cost of goods sold transfer:		
	Dr 911	180.000	
	Cr 632		180.000
6a	Selling expenses transfer:		
	Dr 911	720.000	
	Cr 641		720.000
6b	General administration expenses transfer:		
	Dr 911	27.936	
	Cr 642		27.936
7	Income Summary = Revenues- (Cost of goods sold+ Selling expenses+ General administration expenses) = 264.000 - (180.000 + 7.200 + 75.060) = 2.340 (profit)	2.340	
	Dr 911		2.340
	CR 421		

Chapter 4:

B. Multiple choice

1.b	2.c	3.a	4. c	5. d	6c	7c

Chapter 5:

B. Multiple choice

1.c 2.d 3.c 4. b 5. b 6a

Exercise 2:

Instructions: Complete the partial worksheet presented below, inserting additional labels as needed.

AUBREY SERVICES AGENCY

Partial Worksheet

For the Month Ended April 30, 2012

	Adjusted Trial Balance		Income Statement		Balance Sheet	
Account Titles	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	6,500				6,500	
Accounts Receivable	2,000				2,000	
Supplies	3,075				3,075	
Prepaid Insurance	2,000				2,000	
Prepaid Rent	500				500	
Equipment	35,000				35,000	
Accum. Depreciation—Equipment		4,000				4,000
Notes Payable		14,000				14,000
Accounts Payable		12,000				12,000
Unearned Service Revenue		2,000				2,000
Salaries and Wages Payable		1,300				1,300
Interest Payable		50				50
Owner's Capital		9,825				9,825
Owner's Drawing	2,000				2,000	
Service Revenue		20,300		20,300		
Interest Expense	400		400			
Salaries and Wages Expense	7,000		7,000			
Supplies Expense	1,500		1,500			
Rent Expense	2,000		2,000			
Insurance Expense	1,500		1,500			
Totals	63,475	63,475	12,400	20,300	51,075	43,175
Net Income			7,900			7,900
			20,300	20,300	51,075	51,075

Exercise 3:

PART V—BALANCE SHEET CLASSIFICATIONS (17 points)

1.	NP	6.	CA	11.	CA	16.	IA
2.	CL	7.	OE	12.	CL	17.	PPE
3.	PPE	8.	CA	13.	NP		
4.	CL	9.	CA	14.	CL		
5.	IA	10.	NP	15.	LTL		

Exercise 4

1. Net income for 2012 ..... $125,000
   Withdrawals during 2012 ..... $(80,000)
   Investments during 2012 ..... $ 30,000

   Net change in capital account……..$75,000
   Ending capital balance 12/31/2012..... $170,000

   Beginning capital balance 1/1/2012……$95,000
2. Total owner's equity, $39,000 (Beginning of year).
   Total assets, $98,000 (End of year).
   Revenues during the year, $64,000.

Chapter 6:

B. Multiple choice

1.c 2.d 3.a 4. d 5. d

Exercise 2

	Debit	Credit	Asset	Liability	Equity
1.		√		√	
2.	√				√
3.		√			√
4.	√		√		
5.		√		√	
6.	√		√		
7.	√				√
8.		√		√	
9.		√			√
10.	√		√		

Exercise 3

The ledger accounts given below, with an identification number for each, are used by Paulson Company.

Instructions: Indicate the appropriate entries for the month of May by placing the appropriate identification number(s) in the debit and credit columns provided. Item 0 is given as an example. Write "none" if no entry is appropriate.

1. Cash
2. Accounts Receivable
3. Supplies
4. Prepaid Insurance
5. Prepaid Advertising
6. Equipment
7. Salaries Payable
8. Accounts Payable
9. Unearned Service Revenue
10. Notes Payable
11. Owner's Capital
12. Owner's Drawing
13. Service Revenue
14. Equipment Expense
15. Advertising Expense
16. Supplies Expense
17. Rent Expense
18. Salaries Expense

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13. May 30	K. Minor, K. Paulson's administrative assistant, was paid $1,800 cash for her salary.		

APENDIX A

CHART OF ACCOUNTS

Regulated by Circular 200/2014/TT BTC dated 22 December 2014 issued by the Ministry of Finance on guidance for the Enterprise Accounting System, effective from 1 January 2015

SỐ HIỆU TK		TÊN TÀI KHOẢN	ACCOUNT NAME
Cấp 1	Cấp 2		
		LOẠI 1: TÀI SẢN NGẮN HẠN	**TYPE 1: CURRENT ASSETS**
111		**Tiền mặt**	**Cash on Hand**
	1111	Tiền Việt Nam	Vietnamese Currency
	1112	Ngoại tệ	Foreign Currency
	1113	Vàng, bạc, kim khí quý, đá quý	Gold, Silver, Precious Stone
112		**Tiền gửi ngân hàng**	**Cash in Bank/ Cash at Bank**
	1121	Tiền Việt Nam	Vietnamese Currency
	1122	Ngoại tệ	Foreign Currency
	1123	Vàng, bạc, kim khí quý, đá quý	Gold, Silver, Precious Stones
113		**Tiền đang chuyển**	**Cash in Transit**
	1131	Tiền Việt Nam	Vietnamese Currency
	1132	Ngoại tệ	Foreign Currency

121		**Đầu tư chứng khoán ngắn hạn**	**Short-term Security Investments**
	1211	Cổ phiếu	Investment in Shares/ Stocks
	1212	Trái phiếu, tín phiếu, kỳ phiếu	Investment in Bonds
128		**Đầu tư ngắn hạn khác**	**Other Short-term Investments**
	1281	Tiền gửi có kỳ hạn	Fixed-Term Deposits
	1288	Đầu tư ngắn hạn khác	Other Short-term Investments
129		**DP giảm giá đầu tư ngắn hạn**	**Allowance for Short-term Investments**
131		**Phải thu của khách hàng**	**Accounts Receivable/ Trade Receivables**
133		**Thuế GTGT được khấu trừ**	**Deductible VAT**
	1331	Thuế GTGT được khấu trừ của hàng hoá dịch vụ	Deductible VAT of Goods & Services
	1332	Thuế GTGT được khấu trừ của TSCĐ	Deductible VAT of Non-current Assets
136		**Phải thu nội bộ**	**Internal Receivables**
	1361	Vốn kinh doanh của các đơn vị trực thuộc	Receivables from subsidiaries
	1368	Phải thu nội bộ khác	Other Internal Receivables
138		**Phải thu khác**	**Other Receivables**
	1381	Tài sản thiếu chờ xử lý	Pending Shortage Assets
	1385	Phải thu về cổ phần hoá	Receivables from Privatization
	1388	Phải thu khác	Other Receivables

139		**Dự phòng phải thu khó đòi**	**Allowance for Uncollectible Accounts**
141		**Tạm ứng**	**Advance to**
142		**Chi phí trả trước ngắn hạn**	**Short-term Prepaid Expenses**
144		**Cầm cố, ký quỹ, ký cược ngắn hạn**	**Short-term Mortgage, Guarantee Deposit**
151		**Hàng mua đang đi đường**	**Inventories in Transit**
152		**Nguyên liệu, vật liệu**	**Materials**
153		**Công cụ, dụng cụ**	**Tools, Supplies**
154		**CP sản xuất, kinh doanh dở dang**	**Work In Process**
155		**Hàng hoá**	**Goods**
156	1561	Giá mua hàng hoá	Cost of Goods
	1562	Chi phí thu mua hàng hóa	Freight-in
	1567	Hàng hoá bất động sản	Property Inventories
157		**Hàng gửi đi bán**	**Consignment Inventories**
158		**Hàng hoá kho bảo thuế**	**Goods in Bonded Warehouse**
159		**Dự phòng giảm giá hàng tồn kho**	**Allowance for Inventories**
161		**Chi sự nghiệp**	**Government Sourced Expenses**
	1611	Chi sự nghiệp năm trước	Government Sourced Expenses of Previous Year
	1612	Chi sự nghiệp năm trước	Government Sourced Expenses of This Year

		LOẠI 2: TÀI SẢN DÀI HẠN	TYPE 2: NON-CURRENT ASSETS
211		**Tài sản cố định hữu hình**	**Tangible Non-current Assets**
	2111	Nhà cửa, vật kiến trúc	Plant, Buildings
	2112	Máy móc, thiết bị	Machinery and Equipment
	2113	Phương tiện vận tải, truyền dẫn	Transportation Means
	2114	Thiết bị, dụng cụ quản lý	Office Appliances
	2115	Cây lâu năm, vật nuôi làm việc và cho sản phẩm	Long-term Trees, Cattle
	2118	TSCĐ khác	Other Non-current Assets
		Tài sản cố định thuê tài chính	**Non-Current Assets under Finance Leases**
		Tài sản cố định vô hình	**Intangible Assets**
		Quyền sử đụng đất	Right of Land Use
		Quyền phát hành	Copyrights
		Bản quyền, bằng sáng chế	Patents
		Nhãn hiệu hàng hóa	Trademarks & Brand Names
		Phần mềm máy vi tính	Software
		Giấy phép và giấy phép nhượng quyền	Licences & Franchises
		TSCĐ vô hình khác	Other Intangible Assets

214		**Hao mòn TSCĐ**	**Accumulated Depreciation & Amortization**
	2141	Hao mòn TSCĐ hữu hình	Accumulated Depreciation
	2142	Hao mòn TSCĐ thuê tài chính	Accumulated Depreciation-Finance Lease
	2143	Hao mòn TSCĐ vô hình	Accumulated Amortization
	2147	Hao mòn bất động sản đầu tư	Accumulated Depreciation of Investment Property
217		**Bất động sản đầu tư**	**Investment Property**
221		**Đầu tư vào công ty con**	**Investment in subsidiaries**
222		**Vốn góp liên doanh**	**Investment in Joint Ventures**
223		**Đầu tư vào công ty liên kết**	**Investment in Associates/ Affiliates**
228		**Đầu tư dài hạn khác**	**Other Long-term Investments**
	2281	**Cổ phiếu**	Shares / Stocks
	2282	**Trái phiếu**	Bonds/ Debentures
	2288	**Đầu tư dài hạn khác**	Other Long-term Investments
229		**Dự phòng giảm giá đầu tư dài hạn**	**Allowance for Long-term Investments**
		Xây dựng cơ bản dở dang	**Construction in Progress**
	2411	Mua sắm TSCĐ	Fixed Assets in Purchasing
	2412	Xây dựng cơ bản	Construction in Progress
	2413	Sửa chữa lớn TSCĐ	Capitalised Repairs/ Major Repairs

242		**Chi phí trả trước dài hạn**	**Long-term Prepaid Expenses**
243		**Tài sản thuế thu nhập hoãn lại**	**Deferred Tax Assets**
244		**Ký quỹ, ký cược dài hạn**	**Long-term Mortgage, Guarantee Deposits**
		LOẠI 3: NỢ PHẢI TRẢ	**TYPE 3: LIABILITIES**
311		**Vay ngắn hạn**	**Short Term Borrowing**
315		**Nợ dài hạn đến hạn trả**	**Current Portion of Long-Term Debts**
331		**Phải trả cho người bán**	**Accounts Payable/ Trade Payables/ Payables**
333		**Thuế và các khoản nộp Nhà nước**	**Tax Payables & Payables to GOV**
	3331	Thuế GTGT phải nộp	VAT Payable
	33311	*Thuế GTGT đầu ra*	*Out-put VAT Payable*
	33312	*Thuế GTGT hàng nhập khẩu*	*VAT Payable for Imported Goods*
	3332	Thuế Tiêu thụ đặc biệt	Special Sales Tax
	3333	Thuế xuất, nhập khẩu	Import and Export Duty
	3334	Thuế thu nhập doanh nghiệp	Business Income Tax/ Profit Tax
	3335	Thuế thu nhập cá nhân	Personal/ Employee Income Tax
	3336	Thuế tài nguyên	Tax on Exploitation of Natural
	3337	Thuế nhà đất, tiền thuê đất	Housing, Land Tax & Land Rental/ Lease Resources

	3338	Các loại thuế khác	Other Tax
	3339	Phí, lệ phí và các khoản phải nộp khác	Other Fees and Licenses Payable
334		**Phải trả người lao động**	**Employee Payables**
	3341	Phải trả công nhân viên	Payables to other labors
	3348	Phải trả người lao động khác	Accural Expenses/ Expense Payables
335		**Chi phí phải trả**	**Internal Payables**
336		**Phải trả nội bộ**	**Payment Based on Stages of**
337		**Thanh toán theo tiến độ kế hoạch hợp đồng xây dựng**	**Construction Contract Schedules Other Payables**
338		**Phải trả, phải nộp khác**	**Other Payables**
	3381	Tài sản thừa chờ giải quyết	**Pending Surplus Assets**
	3382	Kinh phí công đoàn	Trade Union Fee Payable
	3383	Bảo hiểm xã hội	Social Insurance Payable
	3384	Bảo hiểm y tế	Health Insurance Payable
	3385	Phải trả về cổ phần hoá	Payables on Privatization
	3386	Nhận ký quỹ, ký cược ngắn hạn	Short-term Received Guarantee
	3387	Doanh thu chưa thực hiện	Unearned Revenue
	3388	Phải trả, phải nộp khác	Other Payables
	3389	Bảo hiểm thất nghiệp	Unemployment Insurance Payable

341		**Vay dài hạn**	**Long-term borrowing**
342		**Nợ dài hạn**	**Long-tern Debt**
343		**Trái phiếu phát hành**	**Issued Bonds/ Debentures**
	3431	Mệnh giá trái phiếu	Par Value of Issued Bonds
	3432	Chiết khấu trái phiếu	Discounts on Bonds/ Debentures
	3433	Phụ trội trái phiếu	Premium on Bonds/ Debentures
344		**Nhận ký quỹ, ký cược dài hạn**	**Long-term Received Guarantee Deposits**
347		**Thuế thu nhập hoãn lại phải trả**	**Deferred Tax Liabilities**
351		**Quỹ dự phòng tài trợ mất việc làm**	**Unemployment Fund**
352		**Dự phòng phải trả**	**Provision Payables**
353		**Quỹ khen thưởng, phúc lợi**	**Bonus, Welfare Fund**
	3531	Quỹ khen thưởng	Bonus Fund
	3532	Quỹ phúc lợi	Welfare Fund
	3533	Quỹ phúc lợi đã hình thành TSCĐ	Welfare Fund Transferred to Non- Current Assets
	3534	Quỹ thưởng ban quản lý điều hành công ty	Management Bonus Fund
356		**Quỹ phát triển khoa học và công nghệ**	**Science & Technology Development Fund**
	3561	Quỹ phát triển khoa học và công nghệ	Science & Technology Development Fund

	3562	Quỹ phát triển khoa học và công nghệ đã hình thành tài sản cố định	Science & Technology Development Fund Transferred to Non-current Assets
		LOẠI 4: VỐN CHỦ SỞ HỮU	**TYPE 4: OWNERS' EQUITY**
411		**Nguồn vốn kinh doanh**	**Owners' Equity/ Equity/ Capital**
	4111	Vốn đầu tư của chủ sở hữu	Share Capital/ Paid-In Capital
	4112	Thặng dư vốn cổ phần	Surplus Share Capital/ Premium Capital
	4118	Vốn khác	Other Capital
		Chênh lệch đánh giá lại tài sản	**Revaluation Differences on Assets**
		Chênh lệch tỷ giá hối đoái	**Foreign Exchange Differences**
		Chênh lệch tỷ giá hối đoái đánh giá lại cuối năm tài chính	Foreign Exchange Differences on Revaluation at Year End
		Chênh lệch tỷ giá hối đoái trong giai đoạn đầu tư XDCB	Foreign Exchange Differences During Construction Stage
		Quỹ đầu tư phát triển	**Investment & Development Fund**
		Quỹ dự phòng tài chính	**Finance Reserve Fund**
		Các quỹ khác thuộc vốn chủ sở hữu **Cổ phiếu quỹ**	**Other Funds belongs to Equity Treasury Stocks**

		Lợi nhuận chưa phân phối	**Retained Earning/ Undistributed Profit**
		Lợi nhuận chưa phân phối năm trước	Undistributed Profit of Previous Year
		Lợi nhuận chưa phân phối năm nay	Undistributed Profit of This Year
		Nguồn vốn đầu tư xây dựng cơ bản **Nguồn kinh phí sự nghiệp**	**Basic Construction Capital/ Source Government Sources for Expenses**
		Nguồn kinh phí sự nghiệp năm trước	Government Sources - Previous Year
		Nguồn kinh phí sự nghiệp năm nay	Government Sources - This Year
466		**Nguồn kinh phí đã hình thành TSCĐ**	**Government Sources Transferred to Non-current Assets**
		LOẠI 5: DOANH THU	**TYPE 5: REVENUE**
511		**Doanh thu bán hàng và cung cấp dịch vụ**	
	5111	Doanh thu bán hàng hoá	Revenue - Sales of Goods
	5112	Doanh thu bán các thành phẩm	Revenue - Sales of Finished Goods
	5113	Doanh thu cung cấp dịch vụ	Revenue - Rendering Services
	5114	Doanh thu trợ cấp, trợ giá	Revenue - Price Subsidized

	5117	Doanh thu kinh doanh bất động sản đầu tư	Revenue - Sales of Investment Properties
	5118	Doanh thu khác	Revenue - Others
512		**Doanh thu bán hàng nội bộ**	**Internal Revenue**
	5121	Doanh thu bán hàng hoá	Revenue - Sales of Goods
	5122	Doanh thu bán các thành phẩm	Revenue - Sales of Finished Goods
	5123	Doanh thu cung cấp dịch vụ	Revenue - Rendering Services
515		**Doanh thu hoạt động tài chính**	**Revenue - Financing Activities**
521		**Chiết khấu thương mại**	**Sales Discounts / Trade Discounts**
531		**Hàng bán bị trả lại**	**Sales Returns**
532		**Giảm giá hàng bán**	**Sales Allowances**
		LOẠI 6 CHI PHÍ SẢN XUẤT, KINH DOANH	**TYPE 6: PRODUCTION & OPERATION EXPENSES**
611		**Mua hàng**	**Purchases**
	6111	Mua nguyên liệu, vật liệu	Purchases - Materials
	6112	Mua hàng hoá	Purchases - Goods
621		**Chi phí nguyên liệu, vật liệu trực tiếp**	**Direct Material Expense**
622		**Chi phí công nhân trực tiếp**	**Direct Labour Expense**

623		**Chi phí sử dụng máy thi công**	**Expenses for Using Construction Engine**
	6231	Chi phí nhân công	Labour Expense
	6232	Chi phí vật liệu	Indirect Material Expense
	6233	Chi phí dụng cụ sản xuất	Tool & Supplies Expense
	6234	Chi phí khấu hao máy thi công	Depreciation of Construction Engine
	6237	Chi phí dịch vụ mua ngoài	Services from Outside
	6238	Chi phí bằng tiền khác	Other Cash Expenses
627		**Chi phí sản xuất chung**	**Production Overhead**
	6271	Chi phí nhân viên phân xưởng	Indirect Labour Expenses
	6272	Chi phí vật liệu	Indirect Material Expenses
	6273	Chi phí dụng cụ sản xuất	Tool & Supplies Expenses
	6274	Chi phí khấu hao TSCĐ	Depreciation Expenses
	6277	Chi phí dịch vụ mua ngoài	Services from Outside
	6278	Chi phí bằng tiền khác	Other Expenses
631		**Giá thành sản xuất**	**Manufacturing Cost**
632		**Giá vốn hàng bán**	**Cost of Goods Sold**
635		**Chi phí tài chính**	**Finance Expense**
641		**Chi phí bán hàng**	**Selling Expenses**
		Chi phí nhân viên	Labour Expenses
		Chi phí vật liệu, bao bì	Packaging & Material Expenses

		Chi phí vật dụng, đồ dùng	Supplies Expenses
		Chi phí khấu hao TSCĐ	Depreciation Expenses
		Chi phí bảo hành	Warranty Expenses
		Chi phí dịch vụ mua ngoài	Services from Outside
		Chi phí bằng tiền khác	Other Cash Expenses
642		**Chi phí quản lý doanh nghiệp**	**Administrative Expenses**
	6421	Chi phí nhân viên quản lý	Salary Expenses
	6422	Chi phí vật liệu quản lý	Supplies Expenses
	6423	Chi phí đồ dùng văn phòng	Stationery & Office Supplies
	6424	Chi phí khấu hao TSCĐ	Depreciation Expenses
	6425	Thuế, phí và lệ phí	Tax, Fees and License
	6426	Chi phí dự phòng	Bad Debt and Allowance Expenses
	6427	Chi phí dịch vụ mua ngoài	Services from Outside
	6428	Chi phí bằng tiền khác	Other Cash Expenses
		LOẠI 7 : THU NHẬP KHÁC	**TYPE 7: OTHER INCOMES**
711		**Thu nhập khác**	**Other Incomes**
		LOẠI 8: CHI PHÍ KHÁC	**TYPE 8: OTHER EXPENSES**
811		**Chi phí khác**	**Other expenses**
821		**Chi phí thuế TNDN**	**Profit Tax Expense**
	8211	Chi phí TNDN hiện hành	Current Profit Tax Expense

	8212	Chi phí thuế TNDN hoãn lại	Deferred Profit Tax Expense
		LOẠI 9 : XÁC ĐỊNH KẾT QUẢ KINH DOANH	**TYPE 9: INCOME SUMMARY**
911		**Xác định kết quả kinh doanh**	**Income Summary**
		LOẠI TK 0: TÀI KHOẢN NGOÀI BẢNG	**TYPE 0 -OFF BANLANCE SHEET**
001		Tài sản thuê ngoài	Assets Hired
002		Vật tư, hàng hoá nhận giữ hộ, nhận gia công	Goods Keep on Behalf of the Others
003		Hàng hoá bán hộ, nhận ký gửi, ký cược	Consigned Goods, Received Guarantee Goods
004		Nợ khó đòi đã xử lý	Settled Bad Debt
007		Ngoại tệ các loại	Foreign Currencies
008		Dự toán chi sự nghiệp, dự án	Budget of Government Sourced Expense

APENDIX B

LIST OF INTERNATIONAL ACCOUNTING STANDARDS (IAS)

No	Name in English	Name in Vietnamese
IAS1	Presentation of Financial Statements	Trình bàsy Báo cáo tài chính
IAS 2	Inventories	Hàng tồn kho
IAS 7	Statement of Cash Flow	Báo cáo lưu chuyển tiền tệ
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Chính sách kế toán, sự thay đổi trong ước tính kế toán và sai sót
IAS 10	Events After the Reporting Period	Các sự kiện phát sinh sau ngày kết thúc kỳ kế toán năm
IAS 12	Income Taxes	Thuế thu nhập doanh nghiệp
IAS 16	Property, Plant and Equipment	Bất động sản, nhà xưởng và thiết bị
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Kế toán đối với nguồn tài trợ và trình bày sự hỗ trợ của chính phủ
IAS 21	The Effects of Changes in Foreign Exchange Rates	Ảnh hưởng của việc thay đổi tỷ giá hối đoái
IAS 23	Borrowing Costs	Chi phí đi vay
IAS 24	Related Party Disclosures	Trình bày các bên liên quan

IAS 26	Accounting and Reporting by Retirement Benefit Plans	Kế toán và báo cáo lợi ích hưu trí
IAS 27	Separate Financial Statements	Báo cáo tài chính riêng
IAS 28	Investments in Associates and Joint Ventures	Đầu tư vào công ty liên kết và liên doanh
IAS 29	Financial Reporting in Hyperinflationary Economies	Báo cáo tài chính trong nền kinh tế siêu lạm phát
IAS 32	Financial Instruments: Presentation	Công cụ tài chính: Trình bày
IAS 33	Earnings Per Share	Lãi trên cổ phiếu
IAS 34	Interim Financial Reporting	Báo cáo tài chính giữa niên độ
IAS 36	Impairment of Assets	Tổn thất tài sản
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Các khoản dự phòng, nợ phải trả và tài sản tiềm tàng
IAS 38	Intangible Assets	Tài sản cố định vô hình
IAS 40	Investment Property	Bất động sản đầu tư
IAS 41	Agriculture	Nông nghiệp

(*) In 2003, the International Accounting Standards Board (IASB) issued a standard to convert the use of the term IAS to the term IFRS, from 2003 onwards, the standards will be named IFRS instead. given the old name IAS, previously issued IAS standards will still bear the old name.

APENDIX C

FORMAT OF FINANCIAL STATEMENTS

Reporting entity:……..... **Form B 01 - DN**

(Issued together with Circular No. 200/2014/TT-BTC dated December 22, 2014 of the Ministry of Finance)

Address:……

BALANCE SHEET

[Place]……, [date]……..(1)

(For enterprise meeting requirements pertaining to continuing operation)

Unit: VND

ASSET	Code	Description	Closing balance (3)	Opening balance (3)
1	2	3	4	5
A - SHORT-TERM ASSETS	**100**			
I. Cash and cash equivalents	**110**			
1. Cash	111			
2. Cash equivalents	112			
II. Short-term investments	**120**			
1. Trading securities	121			
2. Allowances for decline in value of trading securities (*)	122			
3. Held to maturity investments	123			
III. Short-term receivables	**130**			

1. Short-term trade receivables	131			
2. Short-term repayments to suppliers	132			
3. Short-term intra-company receivables	133			
4. Receivables under schedule of construction contract	134			
5. Short-term loan receivables	135			
6. Other short-term receivables	136			
7. Short-term allowances for doubtful debts (*)	137			
8. Shortage of assets awaiting resolution	139			
IV. Inventories	**140**			
1. Inventories	141			
2. Allowances for decline in value of inventories (*)	149			
V. Other current assets	**150**			
1. Short-term prepaid expenses	151			
2. Deductible VAT	152			
3. Taxes and other receivables from government budget	153			
4. Government bonds purchased for resale	154			
5. Other current assets	155			
B - LONG-TERM ASSETS	**200**			

I. Long-term receivables	**210**			
1. Long-term trade receivables	211			
2. Long-term repayments to suppliers	212			
3. Working capital provided to sub-units	213			
4. Long-term intra-company receivables	214			
5. Long-term loan receivables	215			
6. Other long-term receivables	216			
7. Long-term allowances for doubtful debts (*)	219			
II. Fixed assets	**220**			
1. Tangible fixed assets	221			
- Historical costs	222			
-Accumulated depreciation (*)	223			
2. Finance lease fixed assets	224			
- Historical costs	225			
- Accumulated depreciation (*)	226			
3. Intangible fixed assets	227			
- Historical costs	228			
- Accumulated depreciation (*)	229			
III. Investment properties	**230**			

- Historical costs	231			
- Accumulated depreciation (*)	232			
IV. Long-term assets in progress	**240**			
1. Long-term work in progress	241			
2. Construction in progress	242			
V. Long-term investments	**250**			
1. Investments in subsidiaries	251			
2. Investments in joint ventures and associates	252			
3. Investments in equity of other entities	253			
4. Allowances for long-term investments (*)	254			
5. Held to maturity investments	255			
VI. Other long-term assets	**260**			
1. Long-term prepaid expenses	261			
2. Deferred income tax assets	262			
3. Long-term equipment and spare parts for replacement	263			
4. Other long-term assets	268			
TOTAL ASSETS (270 = 100 + 200)	**270**			
C - LIABILITIES	**300**			

I. Short-term liabilities	**310**			
1. Short-term trade payables	311			
2. Short-term prepayments from customers	312			
3. Taxes and other payables to government budget	313			
4. Payables to employees	314			
5. Short-term accrued expenses	315			
6. Short-term intra-company payables	316			
7. Payables under schedule of construction contract	317			
8. Short-term unearned revenues	318			
9. Other short-term payments	319			
10. Short-term borrowings and finance lease liabilities	320			
11. Short-term provisions	321			
12. Bonus and welfare fund	322			
13. Price stabilization fund	323			
14. Government bonds purchased for resale	324			
II. Long-term liabilities	**330**			
1. Long-term trade payables	331			
2. Long-term repayments from customers	332			

3.Long-term accrued expenses	333			
4. Intra-company payables for operating capital received	334			
5. Long-term intra-company payables	335			
6. Long-term unearned revenues	336			
7. Other long-term payables	337			
8. Long-term borrowings and finance lease liabilities	338			
9. Convertible bonds	339			
10. Preference shares	340			
11. Deferred income tax payables	341			
12. Long-term provisions	342			
13. Science and technology development fund	343			
D - OWNER'S EQUITY	**400**			
I. Owner's equity	**410**			
1. Contributed capital	411			
- Ordinary shares with voting rights	411a			
- Preference shares	411b			
2. Capital surplus	412			
3. Conversion options on convertible bonds	413			
4. Other capital	414			
5. Treasury shares (*)	415			
6. Differences upon asset revaluation	416			

7. Exchange rate differences	417			
8. Development and investment funds	418			
9. Enterprise reorganization assistance fund	419			
10. Other equity funds	420			
11. Undistributed profit after tax	421			
- Undistributed profit after tax brought forward	421a			
- Undistributed profit after tax for the current year	421b			
12. Capital expenditure funds	422			
II. Funding sources and other funds	**430**			
1. Funding sources	431			
2. Funds used for fixed asset acquisition	432			
TOTAL SOURCES (440 = 300 + 400)	**440**			

Prepared by	**Chief accountant**	**Director**
(Signature and full name) Practice certificate number Accounting service provider	*(Signature and full name)*	*(Signature, full name and stamp)*

Form B 02 - DN

Reporting entity:……..

(Issued together with Circular No. 200/2014/TT-BTC dated December 22, 2014 of the Ministry of Finance)

Address:……..

INCOME STATEMENT

2020

Unit:VND

Item	Code	Description	Current year	Previous year
1	2	3	4	5
1. Revenues from sales and services rendered	**1**			
2. Revenue deductions	**2**			
3. Net revenues from sales and services rendered (10=01-02)	**10**			
4. Costs of goods sold	**11**			
5. Gross revenues from sales and services rendered (20=10-11)	**20**			
6. Financial income	**21**			
7. Financial expenses	**22**			
- *In which: Interest expenses*	23			
8. Selling expenses	**25**			
9. General administration expenses	**26**			

10. Net profits from operating activities {30 = 20 + (21 - 22) - (25 + 26)}	**30**			
11. Other income	**31**			
12. Other expenses	**32**			
13. Other profits (40 = 31 - 32)	**40**			
14. Total net profit before tax (50 = 30 + 40)	**50**			
15. Current corporate income tax expenses	**51**			
16. Deferred corporate income tax expenses	**52**			
17. Profits after enterprise income tax (60 = 50 - 51 - 52)	**60**			
18. Basic earnings per share (*)	**70**			
19. Diluted earnings per share (*)	**71**			

(*) Only applying at joint-stock companies

[Date]: ……..

Prepared by	**Chief accountant**	**Director**
(Signature and full name) Practice certificate number Accounting service provider	(Signature and full name)	(Signature, full name and stamp)

Reporting entity:……

Address:……

Form B 03 - DN

(Issued together with Circular No. 200/2014/TT-BTC dated December 22, 2014 of the Ministry of Finance)

CASH FLOW STATEMENT

(Direct method) (*)

Year [2020]

Unit: VND

Item	Code	Description	This year	Previous year
1	2	3	4	5
I. Cash flows from operating activities				
1. Proceeds from sales and services rendered and other revenues	1			
2. Expenditures paid to suppliers	2			
3. Expenditures paid to employees	3			
4. Paid interests	4			
5. Paid enterprise income tax	5			
6. Other proceeds from operating activities	6			
7. Other expenditures on operating activities	7			
Net cash flows from operating activities	***20***			

II. Cash flows from investing activities				
1. Expenditures on purchase and construction of fixed assets and long-term assets	21			
2. Proceeds from disposal or transfer of fixed assets and other long-term assets	22			
3. Expenditures on loans and purchase of debt instruments from other entities	23			
4. Proceeds from lending or repurchase of debt instruments from other entities	24			
5. Expenditures on equity investments in other entities	25			
6. Proceeds from equity investment in other entities	26			
7. Proceeds from interests, dividends and distributed profits	27			
Net cash flows from investing activities	***30***			
III. Cash flows from financial activities				
1. Proceeds from issuance of shares and receipt of contributed capital	31			
2. Repayment of contributed capital and repurchase of stock issued	32			

3. Proceeds from borrowings	33			
4. Repayment of principal	34			
5. Repayment of financial principal	35			
6. Dividends and profits paid to owners	36			
Net cash flows from financial activities	***40***			
Net cash flows during the fiscal year (50 = 20+30+40)	**50**			
Cash and cash equivalents at the beginning of fiscal year	**60**			
Effect of exchange rate fluctuations	61			
Cash and cash equivalents at the end of fiscal year	**70**			

Prepared by	**Chief accountant**	**Director**
(Signature and full name) Practice certificate number Accounting service provider	(Signature and full name)	(Signature, full name and stamp)

Company

Address:

Form B 09-DNN

(Issued according to Circular No. 133/2016/TT-BT dated August 26, 2016 of the Ministry of Finance)

NOTES TO FINANCIAL STATEMENTS

Year 2020

I. Operational characteristics of the enterprise

1. Form of capital ownership: limited liability company

2. Business field: Trade and service

3. Business yield:

4. Normal production and business cycle: 12 months

5. Operational characteristics of the enterprise in the fiscal year that affect the financial statements

6. Statement on comparability of information on the financial statements (whether it is comparable or not, if not, the reasons for such comparability must be clearly stated, such as change of ownership form, separation, merger, stating comparative period length…): comparable…)

II. Accounting period, currency used in accounting

1. Annual accounting period: From January 1, 2017 to December 31, 2017

2. Currency used in accounting: VND

III. Applicable accounting standards and regimes

1- Applicable accounting regime: The Company applies the Accounting System for small and medium-sized enterprises promulgated according to Circular No. 133/2016/TT-BTC dated August 26, 2016 of the Ministry of Finance.

2- Statement of Compliance with Accounting Standards and Accounting System: The Company has applied Vietnamese Accounting Standards and standard guiding documents issued by the State. The financial statements are prepared and presented in accordance with all provisions of each standard,

circular guiding the implementation of the standard and the current accounting regime.

IV. Applicable accounting policies

–Exchange rate applied in accounting: According to the actual Exchange rate at the bank where the transaction occurred

–Principles of converting financial statements made in foreign currencies into VND

–Principles of recognition of cash and cash equivalents

–Principles of accounting for financial investments

–Principles of accounting for receivables

–Principles of recording inventory

–Principles of recognition and methods of depreciation of fixed assets, finance leased fixed assets, investment real estate

–Principles of accounting for payables

–Principles of recognition and capitalization of borrowing costs

–Principles of recognition of equity

–Principles and methods of revenue recognition

–Principles of cost accounting

V. Additional information for items presented in the statement of financial position

1. Cash and cash equivalents

Targets	**The end of the year**	**The beginning of the year**
Cash		
Demand deposit in the bank		
Cash equivalents		
Total		

3. Accounts Receivable

Targets	The end of the year	The beginning of the year
a) Receivables from customers		
In which: Receivables from related parties		
b) Prepayment to the seller		
In which: Prepayment to related parties		
c) Other receivables (Details as required by management):		
Loan receivables		
Advance		
Other internal receivables		
Other receivables		
d) Pending assets		
Money		
Inventory		
Fixed assets		
Other assets		
e) Bad debt (Total value of receivables and loans that are overdue or not yet overdue but difficult to recover)		

4. Inventory (Entry 141)

Targets	The end of the year	The beginning of the year
Good in transit		
Raw materials, materials		
Tools		
Unfinished production and business costs		
Finished product		
Goods		
Consignments		
Total		

Inside:

Value of stagnant, poor, lost quality inventory that cannot be sold;

Value of inventory used as mortgage or pledge to secure payables

Causes and solutions for stagnant, poor, and quality inventories.

Reasons for the additional setting up or reversal of the provision for devaluation of inventories.

5. Increase or decrease of fixed assets (Details of each type of asset according to the management requirements of the enterprise):

Items	Year-begin balance	Increase during the year	Reduced during the year	Year-end balance
A. Tangible fixed assets				
Original price				
Accumulated depreciation				
Residual value				
B. Intangible fixed assets				
Original price				
Accumulated depreciation				
Residual value				
C. Financial lease fixed assets				
Original price				
Accumulated depreciation				
Residual value				

The residual value at the end of the period of fixed assets used as mortgages or pledges to secure loans

Cost of fixed assets at the end of the year have been fully depreciated but are still in use

Original cost of fixed assets at the end of the year awaiting liquidation

For financial lease fixed asset

Explanation of data and other explanations

9. Accounts payable

Targets	The end of the year	The beginning of the year
(Depending on the management requirements of the enterprise, short and long-term detailed explanations can be made)		
a) Payable to the seller		
In which: Payable to related parties		
b) Buyer pays in advance		
In which: Pre-receipt of related parties		
c) Other payables (Details as required by management):		
Expenses to be paid		
Other internal payables		
other payable filed		
Excess assets waiting to be handled		
Payables according to salary		
Other accounts payable		
d) Unpaid overdue debt		

10. Taxes and other payables to the state

Targets	The begin of the year	Amount payable in the year	Amount actually paid during the year	End of the year
VAT				
Special consumption tax				
Import and export tax				
Corporate income tax				
Personal income tax				
Resource tax				
Real estate tax and land rent				
Other kinds of tax				
Fees, charges and other payables				
Total				

11. Loans and finance lease debt

Targets	End of the year	In year		The begin of the year
		Increase	Decrease	
a) Short-term loans				
In which: Borrowing from related parties				
b) Long-term loan				
In which: Borrowing from related parties				
c) Principal debts of finance leases				
In which: Finance lease debt from related parties				
Total				

13. Equity

a) Consolidation table of changes in equity

Content	Items belonging to equity						Total
	Owner's contributed capital	Surplus equity	Owner's other capital	Treasury shares	Exchange rate differences	Undistributed after-tax profits and funds	
A	1	2	3	4	5	6	7
Balance at the beginning of the year							
Capital increase during the year							

Capital reduction during the year							
Year-end balance		Z					

Other notes and explanations about equity (causes of fluctuations and other information).

15. Notes on related parties (the list of related parties, transactions and other information about related parties have not been presented in the above contents)

16. In addition to the above-mentioned contents, enterprises are entitled to explain and explain other information if necessary.

VI. Additional information for items presented in the income statement

1. Total revenue from selling goods and providing services

Unit: VND

Targets	This year	Last year
a) Revenue		
Sales of goods		
Sales of semi-finished products		
Revenue from service providers		
Other revenue		
Total		

b) Revenue from related parties (details for each object)

c) In case the revenue from property rental is recognized as the total amount received in advance, the enterprise must further explain to compare the

difference between the recognition of revenue by the method of amortization over the lease period; Possibility of diminution in future profits and cash flows as revenue has been recognized for the full amount received in advance.

2. Revenue deductions

Targets	This year	Last year
- Trade discounts		
- Discount sales		
- Returned goods		
Total		

3. Cost of goods sold

Targets	This year	Last year
Cost of goods sold		
Cost of finished products sold		
Cost of services provided		
Other cost of capital		
Other expenses are included in the cost price		
Amounts of decrease in cost of goods sold		
Total		

6. Business administration expenses

Targets	This year	Last year
a) Administration expenses incurred in the period		
b) Selling expenses incurred in the period		
c) Items to reduce business administration expenses		
Refund of provisions		
Other deductions		

VII. Additional information for items presented in the Statement of Cash Flows

Cash held by the enterprise but not used: Present the value and rationale of large cash and cash equivalents held by the enterprise but not used due to legal or other restrictions other obligations that the business must fulfill

VIII. Other information

1. Contingent liabilities, commitments and other financial information:

2. Events occurring after the balance sheet date:

3. Comparative information (changes in information in the financial statements of previous accounting years):

4. Information on Continuity:

5. Other information.

Date:……...

Prepared by	**Chief accountant**	**Director**
(Signature and full name) Practice certificate number Accounting service provider	*(Signature and full name)*	*(Signature, full name and stamp)*

GLOSSARY

Accounting: The information system that identifies, records, and communicates the economic events of an organization to interested users.	**Financial accounting** The field of accounting that provides economic and financial information for investors, creditors, and other external users.
Account A record of increases and decreases in specific asset, liability, or owner's equity items	**Generally accepted accounting principles (GAAP)** Common standards that indicate how to report economic events
Accrual-basis accounting Accrual-basis accounting Accounting basis in which companies record transactions that change a company's fi nancial statements in the periods in which the events occur	**General journal** The most basic form of journal.
Accruals Accruals Adjusting entries for either accrued revenues or accrued expenses.	**General ledger** A ledger that contains all asset, liability, and owner's equity accounts
Accrued expenses Accrued expenses Expenses incurred but not yet paid in cash or recorded.	**Historical cost** principle An accounting principle that states that companies should record assets at their cost.
Accrued revenues Revenues for services performed but not yet received in cash or recorded.	**Income statement** A financial statement that presents the revenues and expenses and resulting net income or net loss of a company for a specifi c period of time

Adjusted trial balance A list of accounts and their balances after the company has made all adjustments.	**International Financial Reporting Standards (IFRS)** International accounting standards set by the International Accounting Standards Board (IASB
Adjusting entries Entries made at the end of an accounting period to ensure that companies follow the revenue recognition and expense recognition principles.	**International Accounting Standards Board (IASB)** An accounting standard-setting body that issues standards adopted by many countries outside of the United States.
Assets Resources a business owns.	**Journal** An accounting record in which transactions are initially recorded in chronological order**.**
Auditing The examination of financial statements by a certified public accountant in order to express an opinion as to the fairness of presentation.	**Journalizing** The entering of transaction data in the journal.
Balance sheet A financial statement that reports the assets, liabilities, and owner's equity at a specifi c date.	**Liabilities** Creditor claims against total assets
Basic accounting equation Assets = Liabilities+ Owner's equity	**Ledger** The entire group of accounts maintained by a company
Book value The difference between the cost of a depreciable asset and its related accumulated depreciation	**Managerial** accounting The field of accounting that provides internal reports to help users make decisions about their companies.

Bookkeeping A part of the accounting process that involves only the recording of economic events.	**Monetary unit assumption** An assumption stating that companies include in the accounting records only transaction data that can be expressed in terms of money
Chart of accounts A list of accounts and the account numbers that identify their location in the ledger.	**Net income** The amount by which revenues exceed expenses
Credit The right side of an account	**Net loss** The amount by which expenses exceed revenues.
Debit The left side of an account	**Posting** The procedure of transferring journal entries to the ledger accounts.
Double-entry system A system that records in appropriate accounts the dual effect of each transaction.	**Owner's equity** The ownership claim on total assets.
Deferrals Adjusting entries for either prepaid expenses or unearned revenues.	**Revenues** The gross increase in owner's equity resulting from business activities entered into for the purpose of earning income.
Depreciation The process of allocating the cost of an asset to expense over its useful life.	**Statement of cash fl ows** A financial statement that summarizes information about the cash inflows(receipts) and cash outfl ows (payments) for a specific period of time
Drawings Withdrawal of cash or other assets from an unincorporated business for the personal use of the owner(s).	**Transactions** The economic events of a business that are recorded by accountants

Expenses The cost of assets consumed or services used in the process of earning revenue.	**Trial balance** A list of accounts and their balances at a given time.
Fair value principle An accounting principle stating that assets and liabilities should be reported at fair value (the price received to sell an asset or settle a liability).	**T-account** The basic form of an account

Introduce the list of accounting systems: Subjects applying the accounting regime Circular 133/2016 and Circular 200/2014

a. Circular 200/2014/TT-BTC

Applies to all types of businesses

b. Circular 133/2016/TT-BTC

Applicable to small and medium enterprises:

+ Charter capital: less than 10 billion VND

+ Average total number of employees in the year: Under 300 people

Note: Small and medium enterprises can choose to apply the accounting regime according to Circular 200/2014/TT-BTC or Circular 133/2016/TT-BTC.

An account System is a set of accounting accounts used in recording work, reflecting the status and fluctuations of the accounting objects.

Currently, Vietnam uses a system of accounting accounts, denoted by numbers and uniformly applied to all businesses. The account structure and its meaning are as follows:

The first number in the account symbol: means the account type.

The first two numbers are the account group. For example, account 15x only refers to accounts belonging to the “Inventory” account group.

The third number: means that the level 1 account belongs to the reflected group. For example, account 152 means "Raw materials".

4th number (if any): 2nd level account belongs to the account reflected in the first 3 numbers. For example, account 1521 "Main Materials".

Differences in the accounting system between Circular 200/2014/TT-BTC and Circular 133/2016/TT-BTC

Accounts system is demonstrated in the Appendix of the book.

Table: Comparision between Circular 200 and Circular 133

Circular 200	Circular 133
First account 1	
1113,1123: Monetary gold……	Not available
113: Cash in transit (1131, 1132)……	Not available
1218: Other investments held to maturity….	Not available
128: Investments held to maturity hạn - 1281: Term deposits -1282: Bonds…… -1283: Loans…… - 1288: Other investments held to maturity	128 1281 : Term deposits Not available Not available 1288: Other investments held to maturity
136 - Internal receivables 1361- Working capital provided to subunits 1362 - Internal receivables on foreign exchange differences…….. 1363 - Internal receivables on borrowing costs eligible for capitalization…… 1368 - Other internal receivables	Not accounts: 1362,1363 1361.- Working capital provided to subunits Not available Not available 1368 - Other internal receivables

138 - Other receivable 1381 - Shortage of assets awaiting resolution 1385 - Receivables from privatization 1388 - Others receivables	138 - Other receivable 1381 - Shortage of assets awaiting resolution 1385 - Receivables from privatization 1388 - Others receivables
153 - Tools and supplies 1531 - Tools and supplies 1532 - Packaging rotation 1533 - Instruments for rent 1534 - Equipment and spare parts	Not tier level 2
155 - Finished goods 1551 - Finished goods 1557 - Real estate finished goods	Not tier level 2
156 - Merchandise goods 1561 - Purchase costs 1562 - Incidental expenses 1567 - Property Inventories	Not tier level 2
158 - Goods in bonded warehouse	Not available
161 - Government sourced expenditure 1611 - Expenditure of previous year 1612 - Expenditure of current year	Not tier level 2
171 - Government bonds purchased for resale	Not available

First account 2	
211 - Tangible fixed assets 2111 - Buildings and structures 2112 - Machinery and equipment 2113- Transportation and transmission vehicles 2114 - Office equipment ……... 2115 - Perennial trees, working and producing animals …….. 2118 - Other tangible fixed assets……..	**211 -** Tangible fixed assets 2111: Tangible fixed assets 2113: Finance lease assets
212 - Finance lease assets	
213 - Intangible fixed assets	
221 - Investment in subsidiaries	228 - Investment in subsidiaries 2288 - Other investment
222 - Investment in joint ventures and associates	
228 - Other investments	
243 - Deferred tax assets	Not available
244 - Mortgage, collaterals and deposits	Not available (replace it with account 1386)
First account 3	
334 - Payables to employees	Not tier level 2
336 - Internal payables	Not tier level 2

337 - Progress billings for construction contracts	Not available
338 - Other payable 3385 - Payables on privatization 3386 - Unemployment insurance	338 - Other payable 3385 - Unemployment insurance 3386 - eceive the deposit
343 - Issued Bonds	
344 - Deposits received	
347 - Deferred tax liabilities	Not available
357 - Price stabilization fund	Not available
First account 4	
4113 - Conversion options on convertible bonds	Not available
412 - Revaluation differences on asset	Not available
413 - Foreign exchange differences	Not tier level 2
414 - Investment and development fund	Not available
417 - Enterprise reorganization assistance fund	Not available
441 - Capital expenditure funds	Not available
461 - Government sourced funds	Not available
466 - Non-business funds used for fixed asset acquisitions	Not available
First account 5	
5114- Revenue from government grants 5117 - Revenue from investment properties	Not available
First account 6	
611 - Purchases	Not tier level 2
621 - Direct raw material costs	631: Production costs
622 - Direct labour costs	

623 - Costs of construction machinery	
627 - Production overheads	
641 - Selling expenses	**642 - General administration expenses** 6421 - Selling expenses 6422 - General administration expenses
642 - General administration expenses 6421 - Staff expenses 6422 - Office supply expenses	
First account 8	
821 - Income tax expense 8211- Current tax expense 8212 - Deferred tax expense	Not tier level 2

(Source: Author's compilation)

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Số đăng kí kế hoạch xuất bản: 4426-2025/CXBIPH/1-132/ĐHTN
Số quyết định xuất bản: 87LK-TC/QĐ-NXBĐHTN, ngày 07/11/2025
Nộp lưu chiểu quý IV năm 2025
Mã ISBN: ***978-604-350-630-3***

Không phần nào trong xuất bản phẩm này được sao chép hay phát hành dưới bất kì hình thức hoặc phương tiện nào nếu không được sự cho phép của Nhà xuất bản Đại học Thái Nguyên